For personal use only

EVENT

HOSPITALITY & ENTERTAINMENT

EVENT HOSPITALITY & ENTERTAINMENT LIMITED

ABN: 51 000 005 103

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

(INCLUDING ADDITIONAL APPENDIX 4E DISCLOSURES)

ASX CODE: EVT

RELEASED
31 AUGUST 2020

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

CONTENTS

INTERNET
These results will be available on the internet at www.evt.com under the Investor Centre menu.

ENQUIRIES
Media enquiries should be directed to:

Jane Hastings – CEO
David Stone – Company Secretary

Phone: (02) 9373 6600

Street address
478 George Street
SYDNEY NSW 2000

Postal address
GPO Box 1609
SYDNEY NSW 2001

EVENT

HOSPITALITY & ENTERTAINMENT

APPENDIX 4E (Rule 4.3A)
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020
RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to the year ended 30 June 2019)

				2020 A$'000	2019 A$'000
Revenue and other income from continuing operations	Down	22.3%	to	784,066	1,009,309
Revenue and other income from discontinued operations	Down	16.3%	to	246,855	294,979
Total revenues and other income	**Down**	**21.0%**	**to**	**1,030,921**	**1,304,288**
Profit from continuing operations before individually significant items, net finance costs and income tax	**Down**	**65.0%**	**to**	**55,674**	**158,945**
Net finance costs from continuing operations				(29,625)	(9,355)
Profit from continuing operations before individually significant items and income tax expense	**Down**	**82.6%**	**to**	**26,049**	**149,590**
Individually significant items expense from continuing operations				(74,034)	(502)
(Loss)/profit from continuing operations before income tax expense	**Down**	**132.2%**	**to**	**(47,985)**	**149,088**
Discontinued operations profit before income tax				44,716	8,934
(Loss)/profit before income tax expense	**Down**	**102.1%**	**to**	**(3,269)**	**158,022**
Income tax benefit/(expense) from continuing operations				11,985	(42,009)
Income tax expense from discontinued operations				(20,082)	(4,124)
(Loss)/profit for the year attributable to members of the parent entity	**Down**	**110.2%**	**to**	**(11,366)**	**111,889**

Dividends		Amount per security	Franked amount per security
Final dividend	- Current year	Nil	Nil
	- Previous corresponding period	31.0 ¢	31.0 ¢
Interim dividend	- Current year	21.0 ¢	21.0 ¢
	- Previous corresponding period	21.0 ¢	21.0 ¢
Total dividend (interim and final):			
	- Current year	21.0 ¢	21.0 ¢
	- Previous corresponding period	52.0 ¢	52.0 ¢

For an explanation of the figures reported refer to commentary on results.

For personal use only

For personal use only

APPENDIX 4E (Rule 4.3A)
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

1. Comments by Directors

See commentary attached to this report.

2. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$5.47	$6.44

3. Annual Meeting

The annual meeting will be held as follows:

Date:	**23 October 2020**
Time:	**10:00 am Sydney time**
Approximate date the annual report will be available:	**18 September 2020**
Close of nominations for election as a director at the AGM:	**3 September 2020**

Shareholders will be able to participate in the Annual General Meeting remotely using technology.

4. Compliance statement

The report is based on accounts which have been subject to audit.

For personal use only

DIRECTORS' REPORT

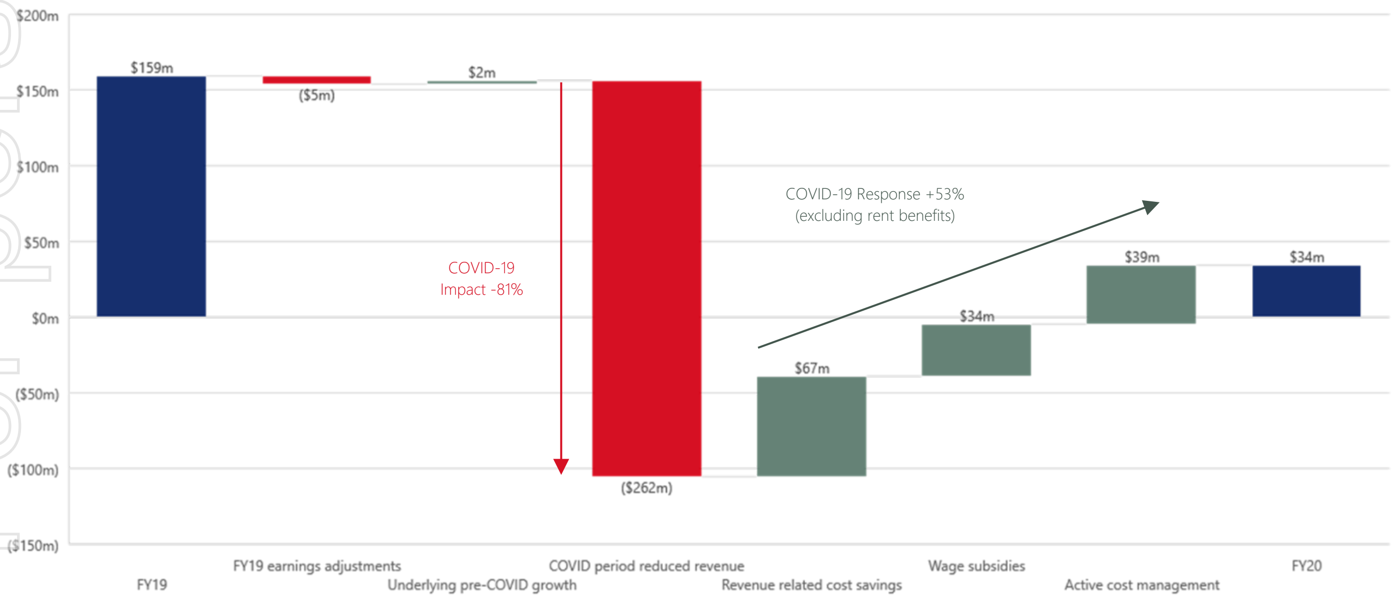
The information presented below is the Operating and Financial Review, which forms part of the 2020 Directors Report

OPERATING AND FINANCIAL REVIEW

Key points

- The year was impacted by the most unprecedented external market factors (bushfires, floods, COVID-19) and COVID-19 government mandated restrictions, experienced in the company's 110-year history.
- Strong momentum on group strategy resulting in good performance prior to the COVID-19 period (unaudited) driving overall growth in revenue ($684,595,000, +2.5% on an adjusted basis) and normalised profit ($105,736,000, +2.2% adjusted) from continuing operations in the period up to February 2020.
- Normalised profit before interest and tax ("PBIT") from continuing operations of $34,101,000 (2019: $158,945,000) was down due to impact of COVID-19 in the final four months of the year, including government-mandated temporary closure of cinemas in Australia, New Zealand and Germany, government-mandated travel restrictions impacting hotels and government-mandated restrictions impacting Thredbo Alpine Resort operations.
- COVID-19 government-mandated restrictions resulted in revenue loss of $261,615,000, but swift development of new operating models, cost management and government wage subsidies mitigated the impact by $139,651,000, excluding the majority of the benefit derived from landlord negotiations which will be reflected in the FY20/21 year due to accounting requirements.
- Leading COVID safe operating practices for each division implemented and tested by infectious disease experts.
- Statutory loss of $11,366,000 (2019: profit of $111,889,000) after interest, income tax, individually significant items and discontinued operations. Individually significant item expense net of tax $53,571,000 (2019: income of $2,808,000) includes $56,910,000 (before tax) non-cash impairment charges. The net impact of AASB 16 *Leases* was an expense of $635,000.
- Net debt at 30 June 2020 of $421 million and new debt facility secured and increased to $750 million, majority matures in 2023.
- Strong balance sheet underpinned by a solid property portfolio with a fair value of $2.0 billion at the most recent valuation dates.
- New operating models developed for each division to enable business to pivot for COVID-19 scenarios and deliver benefits into the future.
- Clear evidence of pent-up demand as government-mandated restrictions are eased.

Analysing the COVID-19 impact on normalised profit



1. Normalised profit is profit before the impact of AASB 16 Leases, interest, tax, individually significant items and discontinued operations. Normalised profit is an unaudited non-International Financial Reporting Standards ("IFRS") measure.
2. FY19 earnings adjustments relate to the impact of AASB 15 Revenue and the reduced gift card breakage resulting from the change in statutory validity period from 1 to 3 years, the cessation of virtual print fee revenue, and the partial closure of Rydges Queenstown in March 2019.
3. Underlying pre-COVID growth in earnings is an unaudited amount adjusted for the impact of AASB 15 Revenue and the reduced gift card breakage resulting from the change in statutory validity period from 1 to 3 years, the cessation of virtual print fee revenue, and the partial closure of Rydges Queenstown in March 2019.
4. COVID period reduced revenue is before wage subsidies (presented separately).
5. Revenue related cost savings include film hire and cost of goods sold.
6. Wage subsidies include JobKeeper in Australia and the Wage Subsidy in New Zealand.
7. Active cost management represents all other cost savings in the COVID-19 period other than revenue related cost savings identified above.

Overview of the Group

Reported net loss after discontinued operations was $11,366,000 (2019: profit of $111,889,000), $123,255,000 below the prior year result. The normalised result before interest and income tax expense from continuing operations was $34,101,000 (2019: $158,945,000), a decrease of $124,844,000 or 78.5% and the normalised result after tax from continuing operations was $18,014,000 (2019: $104,271,000), a decrease of $86,257,000 or 82.7% below the prior year result. A summary of the normalised result is outlined below:

	2020			2019		2018	
	Normalised result* $'000	Net impact of AASB16 $'000	Reconciliation to reported net profit $'000	Normalised result* $'000	Reconciliation to reported net profit $'000	Normalised result* $'000	Reconciliation to reported net profit $'000
Entertainment							
Australia and New Zealand	(8,672)	20,428	11,756	70,213	70,213	79,750	79,750
Hospitality and Leisure							
Hotels and Resorts	32,583	1,145	33,728	69,502	69,502	69,270	69,270
Thredbo Alpine Resort	20,949	–	20,949	25,017	25,017	21,838	21,838
Property and Other Investments	6,372	–	6,372	13,436	13,436	16,528	16,528
Unallocated revenue and expenses	(17,131)	–	(17,131)	(19,223)	(19,223)	(17,034)	(17,034)
	34,101	21,573	55,674	158,945	158,945	170,352	170,352
Finance revenue	258	–	258	527	527	528	528
Finance costs	(7,675)	(22,208)	(29,883)	(9,882)	(9,882)	(6,402)	(6,402)
	26,684	(635)	26,049	149,590	149,590	164,478	164,478
Income tax expense	(8,670)	192	(8,478)	(45,319)	(45,319)	(52,821)	(52,821)
Profit from continuing operations	18,014	(443)	17,571	104,271	104,271	111,657	111,657
Individually significant items – net of tax	(53,571)	–	(53,571)		2,808		(10,198)
Discontinued operations – net of tax	(12,297)	36,931	24,634		4,810		10,451
(Loss)/profit for the year	(47,854)	36,488	(11,366)		111,889		111,910

* Normalised result is profit for the year before individually significant items (as outlined in Note 2.3 to the financial statements and in the table below). As outlined in Note 2.2 to the financial statements, this measure is used by the Group's CEO to allocate resources and in assessing the relative performance of the Group's operations. The normalised result is an unaudited non-International Financial Reporting Standards measure.

personal use only

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

Overview of the Group (continued)

An analysis of the last five years is outlined below:

	2020	2019	2018	2017	2016
Total revenue and other income ($'000)	1,030,921	1,304,288	1,289,738	1,294,269	1,280,889
Basic earnings per share (cents)	(7.1)	69.6	69.8	69.6	82.2
Dividends declared[(a)] ($'000)	33,851	83,822	83,670	81,886	81,886
Dividends per share (cents)	21	52	52	51	51

(a) Includes the interim dividend paid and the final dividend declared in relation to the financial year ended 30 June. No final dividend was declared in relation to the year ended 30 June 2020.

Adoption of AASB 16 *Leases*

The Group adopted AASB 16 *Leases* ("AASB 16") with an initial application date of 1 July 2019. As a result, the Group has changed its accounting policy for lease contracts. In accordance with the transitional provisions in AASB 16, the new rules have been applied retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019. Comparatives for the prior year have not been restated.

AASB 16 requires the recognition of a right-of-use asset and lease liability for each operating lease, with certain limited exceptions. Fixed rental expense is generally no longer recognised in respect of operating leases. Instead, the right-of-use asset is depreciated over the lease term, whilst interest expense is incurred in respect of the lease liability.

The net impact of AASB 16 on the Group's profit before income tax from continuing operations for the year ended 30 June 2020 was a reduction in profit of $635,000.

Further details of this change in accounting policy are disclosed in Note 1.4 to the financial statements.

Discontinued operation – CineStar Germany

On 22 October 2018, the sale of the German Cinema operation to Vue International Bidco plc, subject to FCO approval, was announced. As a result, the Entertainment Germany result has been reported as a discontinued operation. The sale consideration is €187 million (A$305 million). On 3 March 2020, the Group announced that the FCO had provided conditional clearance for the transaction subject to the divestment of six sites within a six-month period. On 21 August 2020 the Group announced that a sale of one of these six sites had been completed and that the FCO had provided an extension of time for satisfaction of its conditions in respect of the remaining five sites until 13 November 2020. The sales process for the remaining five sites is ongoing.

Individually significant items

Individually significant items comprised the following:

	2020 $'000	2019 $'000
Reversal of impairment charges booked in previous years	2,219	9,809
Impairment charges	(56,910)	–
Write-off of assets	(6,232)	–
Redundancies and restructure costs	(6,723)	(3,869)
Hotel and cinema pre-opening costs	(592)	(3,473)
Legal and other costs associated with the sale of a business segment	(2,263)	(1,775)
Other expenses	(3,533)	(1,194)
Individually significant items expense before income tax	(74,034)	(502)
Income tax benefit	20,463	3,310
Individually significant items (expense)/income after income tax	(53,571)	2,808

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

Investments

The Group acquired property, plant and equipment totalling $120,268,000 during the year. The significant acquisitions and capital additions include the following:

- cinema developments at Clayton, Victoria (joint venture), Edmondson Park, NSW (joint venture) and Broadway, Auckland NZ;
- Merritts gondola at Thredbo; and
- refurbishment requirements for Thredbo, cinemas, hotels and resorts.

Property

The Group's interest in land and buildings and integral plant and equipment, including long term leasehold land and improvements, is independently valued by registered qualified valuers on a progressive three-year cycle. Independent valuations for the majority of the Group's properties were obtained at 30 June 2018, and the total value of the Group's interest in land and buildings, excluding investment properties, based on these independent valuations is $1,903,234,000 (refer to Note 3.3 to the financial statements) whilst the total written-down book value of these land and buildings including integral plant and equipment at 30 June 2020 was $1,042,538,000. The total value of the investment properties at 30 June 2020 was $74,550,000.

Capital structure

Cash and term deposits at 30 June 2020 totalled $67,062,000 and total bank debt outstanding was $488,300,000.

Treasury policy

The Group manages interest rate risk in accordance with a Board approved treasury policy covering the types of instruments, range of protection and duration of instruments. The financial instruments cover interest rate swaps and forward rate agreements. Maturities of these instruments are up to a maximum of five years. Interest rate swaps and forward rate agreements allow the Group to raise long term borrowings at floating rates and swap a portion of those borrowings into fixed rates.

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. At 30 June 2020, the Group had no interest rate hedges (2019: no interest rate hedges).

Liquidity and funding

As at 30 June 2020, the Group's secured bank debt facilities comprised the following:

- $545,000,000 revolving multi-currency loan facility; and
- $15,000,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities were due to mature on 15 August 2020 and were supported by interlocking guarantees from most Group entities and secured by specific property mortgages (refer to Note 3.3 to the financial statements).

Subsequent to 30 June 2020, the Group's secured bank debt facilities were amended and restated on 3 July 2020 and now comprise the following:

- $650,000,000 revolving multi-currency loan facility maturing on 3 July 2023;
- $100,000,000 non-revolving loan facility maturing on 3 January 2022; and
- $2,500,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 1.75% and 4.35% per annum.

Cash flows from operations

Net operating cash inflows increased to $176,367,000 from $171,369,000 recorded in the prior year. Following the adoption of AASB 16 *Leases*, lease payments of $99,332,000 have been recognised in cash flows from financing activities, and adjusted for this item the net operating cash inflows decreased to $77,035,000, 55.0% below the prior year. This movement was driven by the impact of COVID-19 on the Group's operations in the second half of the financial year.

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

Impact of legislation and other external requirements
A number of statutory requirements have been introduced in Australia, New Zealand and Germany by relevant authorities in response to COVID-19. Where applicable, these requirements have been satisfied by the Group in each territory.

Safety and wellbeing remain the Group's highest priority. Detailed COVID-19 safety plans and staff training programs have been developed for each of the Group's operating divisions. In addition, to ensure these plans are consistent with best practice in Australia, advice was also sought from infectious diseases experts and has been implemented.

There were no other changes in environmental or other legislative requirements during the year that have significantly impacted the results of operations of the Group.

REVIEW OF OPERATIONS BY DIVISION

ENTERTAINMENT
Entertainment Group
On a consolidated basis, revenue for the Entertainment Group (Australia and New Zealand) decreased 24.1% on the prior year to $410,638,000, normalised earnings before interest, tax, depreciation and amortisation ("EBITDA") was down 74.9% to $26,322,000 and normalised PBIT was down 112.4% to a loss of $8,672,000. These variances reflect the impact of COVID-19 government mandated restrictions on the Entertainment Group from March 2020 following directives to close cinemas in Australia and New Zealand and COVID-19 related delays in global release dates for major film titles.

The Entertainment Group results in the pre-COVID period July 2019 to February 2020 were strong. Across Australia and New Zealand, market box office performance in this period was the best result since the year ended 30 June 2017, results from new initiatives were exceeding expectations and key performance indicators demonstrated strong growth. As a result, revenue increased 5.4%, EBITDA increased 2.2%, and normalised PBIT increased 2.9% on the prior comparable period. However, adjusted to provide a more comparative view, Entertainment Group revenue increased 6.2%, EBITDA increased 7.0% and normalised PBIT increased 10.9%. The adjustments include the impact of the reduced gift card breakage revenue related to the legislated change in expiry dates, the impact of AASB 15 *Revenue*, and the decrease in virtual print fee income in New Zealand.

During the COVID-19 period March 2020 to June 2020, the Group immediately responded with a number of cost-saving initiatives and applied the Australian JobKeeper and New Zealand Wage Subsidy programs to mitigate the impact of the government's mandated closure of cinemas. The cost saving initiatives implemented have enabled the Group to implement a new, more efficient operating model for its cinemas that that will provide ongoing benefits once cinema trading returns to normal.

Detailed commentary on Australia and New Zealand is set out below.

Entertainment – Australia

As at 30 June	2020	2019	Movement
Cinema locations*	72	75	(3)
Cinema screens*	686	701	(15)

* Managed and joint venture cinema sites (excludes Moonlight Cinema sites and screens and the State Theatre).

Revenue prior to the impact of COVID-19, increased 3.6%, consistent with overall growth in the Australian Box Office of 3.7%. To provide a more comparative view, adjusting for the impact of reduced gift card breakage revenue related to the legislated change in expiry of gift cards from one to three years and the impact of AASB 15 *Revenue*, revenue increased 4.3%.

Titles that grossed over $30 million at the Australian Box Office during the year included: *The Lion King* ($64.1 million); *Star Wars: The Rise of Skywalker* ($47.3 million); *Jumanji: The Next Level* ($45.9 million); *Joker* ($40.8 million); *Frozen 2* ($39.9 million); and *Spider-Man: Far from Home* ($37.3 million). These top six titles collectively grossed $275.3 million, an increase of 23.0% on the collective gross of the top seven titles in the equivalent period in the prior year.

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

Average admission price growth of 4.4% was achieved with an increased proportion of customers choosing one of the Group's premium cinema concepts, including the new 4DX, Daybeds and Boutique concepts.

A record period of merchandising spend per customer growth was achieved as a result of the rollout of new merchandising layouts, the continued growth of the owned brand Parlour Lane and eCommerce enhancements. As a result, the Group experienced seven out of eight record months of merchandising spend during the pre-COVID-19 period.

Good progress was achieved on the Entertainment strategy of fewer and better locations with targeted investment in premium concepts. A number of screens were refurbished, with the Group's Future of Cinema concepts implemented to generate greater returns from cinema spaces. The enhancements included:

- Four locations (Macquarie, Shellharbour, Tuggerah and George Street) were upgraded with the new three-seat concept format of daybeds, reclining seats and premium fixed back seating delivering growth in key metrics.
- Day beds were also introduced to Vmax auditoriums at 14 of the circuit's key locations, resulting in nearly 60% of Vmax cinemas now offering daybeds.
- Two Gold Class auditoriums and a Gold Class lounge was introduced to Tuggerah in December 2019 and an auditorium at Macquarie was converted to a Gold Class auditorium to increase the number of Gold Class auditoriums at the site to four.
- Auditoriums at Pacific Fair, Parramatta and Chermside were converted to 4DX.
- The first 'BCC Recline' concept and auditorium (recliner seating) was installed at Toombul.
- The new family friendly Event Junior concept rolled out at Macquarie and Shellharbour delivering increased average admission price and occupancy, outperforming other auditoriums for children's content.
- Candy areas at Macquarie and Toombul were converted to the new Marketplace concept delivering an increase in spend per customer of over 20%.

Strong growth in online revenue continued, up 19.4%. The Group's direct customer relationships remain exceptionally strong with Cinebuzz representing more than 69% of cinema visits and more than 86% of online transactions. The Group has leveraged the connections with its 2.2 million active Cinebuzz members during the COVID-19 closure period and as cinemas reopened in July 2020. This included conducting the largest cinema audience research study in Australia and New Zealand to assist in forming COVID-19 plans that would encourage a strong return of audiences to cinemas when films were released.

To provide a comparative view, adjusting to reflect the legislated change in expiry of gift cards, EBITDA for the pre-COVID-19 period from July 2019 to February 2020 was up 3.2% on the prior comparable period and normalised PBIT was up 8.8% on the prior comparable period. Before adjusting for this impact, EBITDA for the pre-COVID-19 period was $51,454,000, 1.1% below the prior comparable period, and normalised PBIT was $34,437,000, 1.5% above the prior comparable period.

In the COVID-19 period from March to June 2020, revenue declined by $119,714,000 when compared with the equivalent period in the prior year, and total expenses, including payroll but excluding the anticipated benefit of rental abatements, were reduced by 45%.

In March 2020, the government-mandated closure of cinemas and cost mitigation plans were immediately implemented. This included a new people strategy including the stand down of more than 90% of employees, flexi work arrangements introduced for required roles, reviewing and restructuring head office functions and application of the Australian government's JobKeeper scheme, in respect of which total payments were received for Entertainment Australia of $18,410,000 in the year ended 30 June 2020, offsetting around 70% of payroll.

Negotiations with key suppliers were undertaken to minimise costs during the closure period and outgoings at a site level were also reduced substantially whilst maintaining a minimum level of site maintenance to ensure the protection of the Group's cinema assets.

In addition, negotiations with landlords commenced in relation to rental abatements and deferral for the COVID-19 closure period. In relation to landlord negotiations, the Group expects to conclude agreements with the majority of landlords during the first half of the year ended 30 June 2021 and any rental abatements will be recognised once those agreements have been signed. No significant rent relief measures have been recognised in the year ended 30 June 2020 for Entertainment Australia. It is anticipated that rent abatements will be recognised in the year ending 30 June 2021 subject to the execution of agreements with landlords.

EVENT

HOSPITALITY & ENTERTAINMENT

A new operating model was also developed that has been adopted when cinemas re-opened in July 2020 and will continue to be applied beyond the COVID-19 period. This includes variable rostering to better reflect trading patterns.

Recognised COVID-19 safety plans were developed and implemented and endorsed by infectious disease experts, and have been reflected in improved net promoter scores since cinemas were reopened in July 2020.

As part of the continuing strategy rationalise the cinema portfolio, the Group closed Mackay City cinema (5 screens) in December 2019, and exited leases at Cronulla (6 screens) and Manuka (6 screens) in the second half of the year.

Entertainment – New Zealand
(*Note: all amounts in Australian dollars unless otherwise stated)*

As at 30 June	2020	2019	Movement
Cinema locations *	21	20	1
Cinema screens *	144	137	7

* Managed and joint venture cinema sites.

Revenue for the period from July 2019 to February 2020, prior to the impact of COVID-19, increased 15.0% which was a record revenue result. The Group outperformed growth in the New Zealand market box office of 2.8% with Entertainment New Zealand box office growth of 13.4% for the pre-COVID-19 period. Adjusted for the reduction in virtual print fee income, New Zealand Entertainment revenue was up 16.0%. The Group's market share increased by 3.0 percentage points on the prior comparable period, due to market share growth in Auckland, together with the opening of the new Event Cinemas Tauranga Crossing site in April 2019 and a reduction in overall screen numbers in the Wellington market.

Average admission price growth of 10.9% was achieved during the pre-COVID-19 period as a result of targeted demand-based variable pricing and the rollout of more premium seating options. A record merchandising spend per head was achieved up 7.0%, driven by a focus on the core product range and the continued growth from the owned brand Parlour Lane.

Similar to Australia, Cinebuzz continues to strengthen with 58% growth in active membership and Cinebuzz represented approximately 81% of all transactions.

The five highest grossing titles with the New Zealand market included: *The Lion King* (NZ$12.6 million); *Star Wars: The Rise of Skywalker* (NZ$7.3 million); *Frozen 2* (NZ$6.3 million); *Jumanji: The Next Level* (NZ$5.9 million); and *Spider-Man: Far from Home* (NZ$5.5 million). These five titles achieved a combined total of NZ$37.6 million, an increase of 17.5% on the top five grossing titles in the equivalent period in the prior year.

During the year, the virtual print fee agreements with the major distributors concluded, resulting in the virtual print fee revenue decreasing by $1,001,000. EBITDA for the pre-COVID-19 period was $10,263,000, 22.7% above the prior comparable period and the normalised PBIT was $5,530,000, 12.6% above the prior comparable period. Adjusted for the reduction in virtual print fees, EBITDA was up 30.7% and the normalised PBIT was up 25.4%.

Following the closure of cinemas in March 2020 in line with government directives, cost mitigation plans were implemented, including redundancies, a voluntary reduction of hours for remaining salaried employees, and application of the New Zealand government's wage subsidy scheme. The Entertainment New Zealand result includes $2,393,000 of wage subsidies, recognised in revenue.

The Group also commenced negotiations with its landlords in relation to rent abatement and deferral for the COVID-19 closure period. The majority of rent abatement agreements in relation to Entertainment New Zealand are expected to be finalised during the first half of the year ending 30 June 2021, and no material benefit has been recognised in the result for the year ended 30 June 2020.

Negotiations with key suppliers were undertaken to minimise costs during the closure period, whilst outgoings at a site level were also reduced substantially whilst maintaining a minimum level of site maintenance to ensure the protection of the Group's cinema assets.

For personal use only

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

In February 2020, the Group opened a new seven-screen premium cinema at Newmarket, Auckland, incorporating the new Boutique premium cinema concept, two three-seat Vmax concept auditoriums and three cinemas with two seating configurations. The Group also completed upgrades to a number of cinemas, including new seating concepts and foyer upgrade works at Queen Street and Westgate, and Vmax auditorium conversions at Albany and Manukau, whilst seating and foyer upgrade works were completed at the regional location of Whangarei. Due to the completion of these projects in the later in the first half and early second half, these projects had minimal impact on the result pre-COVID.

Discontinued operation – Entertainment Germany
As noted above, this division has been presented as a discontinued operation in the income statement for the year ended 30 June 2020.

The reported net profit after income tax from Entertainment Germany was $24,634,000, an increase of $19,824,000 above the prior year. The result included a net increase in profit after income tax of $36,931,000 relating to the application of AASB 16 *Leases*, and was further impacted by the requirement under AASB 5 *Non-current Assets Held for Sale and Discounted Operations* not to charge depreciation or amortisation following the classification of a division as held for sale. Adjusting for these two items, the normalised loss before income tax was $18,618,000 (2019: profit of $426,000) and the net loss after income tax expense was $19,438,000 (2019: loss of $1,516,000).

A strong revenue result was achieved for the period from July 2019 to February 2020, prior to the impact of COVID-19, up 15.3%. During this period, the overall German market experienced a strong recovery with German market admissions up 15.9%. The prior year was impacted by the disruption caused by the FIFA World Cup, and an extended summer with record warm weather.

The highest grossing titles with the German market included: *Frozen 2* (6.8 million admissions); *The Lion King* (5.6 million admissions); *Star Wars: The Rise of Skywalker* (5.2 million admissions); *Das Perfekte Geheimnis* (5.2 million admissions); and *Joker* (4.1 million admissions). The top ten films achieved total market admissions of 37.0 million and 27.6% above the top ten films of the prior year which achieved 29.0 million admissions.

Spend metrics for the circuit were all favourable prior to the impact of COVID-19 with average admission price up 0.7%, merchandising spend per head up 7.5% and tickets booked online up 4.7 percentage points.

All locations were closed in March 2020 as a result of the German government directive to close cinemas in response to COVID-19. The Group successfully applied the German government's short-time work scheme to assist in managing payroll costs during the closure period, with total revenue from this scheme of $3,830,000 during the year ended 30 June 2020. Other costs were well managed and all variable costs were flexed to respond to the variation in admission levels throughout the period and the closure of cinemas from March 2020 in response to COVID-19.

HOSPITALITY AND LEISURE
Hotels and Resorts

As at 30 June	2020	2019	Movement
Locations *	66	62	4
Rooms *	10,268	10,001	267
Locations (owned, leased and management letting rights)	26	27	(1)
Rooms (owned, leased and management letting rights)	3,805	3,915	(110)

* Owned, managed and other hotels with which the Group has a branding and/or service agreement.

Overall Hotels and Resorts revenue was $277,573,000, a decrease of 21.5% on the prior comparable period. The result was defined by two distinctly different trading periods, pre COVID-19 July 2019 to February 2020 and the COVID-19 impacted period from March to June 2020.

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

Despite the impact of the Australian bushfires and restrictions on inbound tourism from China which disrupted markets in December 2019 and January 2020, the Group traded well in the pre-COVID-19 period. Over this period, owned hotel occupancy and revenue per available room (revpar) increased by 3.2 occupancy points and 3.8% respectively, a pleasing result given the headwinds and new supply entering certain markets. For the pre-COVID-19 period, after adjusting for the partial closure of Rydges Queenstown, revenue was down 1.4%, EBITDA increased 0.4% and normalised PBIT increased 0.5%.

From March 2020, there was a material deterioration in trading conditions as a result of COVID-19 government mandated travel restrictions imposed throughout Australian and New Zealand. During the COVID-19 impacted trading period, occupancy and revpar in the Group's owned hotels was 35.9% and $53.70 respectively, a decline of 44.5 occupancy points and 62.5% over the prior comparable period.

Following the COVID-19 driven collapse in demand from traditional hotel demand drivers the Group shifted focus to ensure market share was maximised from COVID-19 related market segments including the government quarantine programme, other government and medical support business and certain sectors that continued to operate during COVID-19. As the crisis gathered pace, the Group developed a variety of COVID-19 relevant accommodation offers which were promoted online and via the Group's extensive database of customers.

A swift and early response to COVID-19 with a comprehensive review of all costs and structures was conducted. Costs were reduced significantly across all hotels and at the corporate level. With the exception of one managed property in Darwin, the combination of securing scarce revenue and implementation of minimum viable operating models enabled the Group to keep hotels open in a manner that produced more favourable results than closing the hotels.

Business recovery planning began early in the crisis, with material and permanent restructuring to achieve efficiencies from new operating models and system changes. Refined and streamlined food and beverage offerings were also introduced. In addition to the short term loss mitigation tactics, these changes will result in long term efficiency gains and an enhanced guest experience. Overall, the restructuring undertaken during the COVID-19 period and the new minimum viable operating models are expected to deliver ongoing benefits.

The Group successfully applied the Australian government's JobKeeper scheme and the New Zealand government's wage subsidy scheme, and revenue recognised from these schemes totalled $9,667,000 and $1,692,000 respectively.

The Group's strategy of upgrading older owned hotels remains in place, however will be delayed and rescheduled in line with the recovery in trading conditions. This year, significant upgrades were completed to the guest suites, pool and lobby areas in QT Gold Coast, guest rooms, suites, dining and lobby areas at QT Sydney, additional meeting spaces at QT Sydney and QT Melbourne and the public areas, restaurant, bar and pool at Rydges Geelong.

During the year, three new brand licensed hotels and one major managed hotel (Rydges Sydney Harbour) joined the Group. A management contract for Rydges Port Adelaide, due to open in 2022, was also secured.

The Group acquired a 50% interest in Jucy Snooze, an innovative budget accommodation product with current operations in Queenstown and Christchurch and a flagship property under development in Auckland. The Group has plans to expand this concept into Australia in the future.

Rydges Townsville was sold in December 2019 whilst being retained within the portfolio under a brand license agreement. The Group's only leased hotel, Rydges Capital Hill was closed in February due to severe storm damage. The hotel is scheduled to reopen in September 2020 after the completion of a multi-million dollar refurbishment.

The newly developed QT Auckland, Rydges Gold Coast Airport and Adelaide Oval Hotel will join the Group in the last quarter of the 2020 calendar year, as will New Zealand's first Atura hotel, Atura Wellington, following the rebranding of The Thorndon Hotel, Wellington.

EVENT

HOSPITALITY & ENTERTAINMENT

For personal use only

Thredbo Alpine Resort

The result for Thredbo reflects the success of the business strategy generating a strong 2019 snow season with less favourable conditions and a promising start to the 2019-20 summer mountain biking season, before the impact of bushfires in the third quarter, and COVID-19 in the fourth quarter.

Revenue for the first half was consistent with a record prior year whilst EBITDA and normalised PBIT were only marginally below the prior year. Lift pass revenue for the 2019 snow season from 1 July 2019 increased 0.9%. Whilst skier visits decreased 5.2% primarily due to less favourable snow conditions in the peak July 2019 school holiday period, new yield management strategies offset this impact resulting in a 6.6% yield improvement. Revenue from food and beverage and snow sports were consistent with the prior comparable year.

Revenue from summer operations continued its strong growth trend in November and December with a record revenue result driven by a 36% increase in mountain biking revenue, before bushfires temporary closed the resort in early January 2020.

Second half results were negatively impacted by bushfires in January and February 2020. In March, COVID-19 government mandated restrictions were imposed which needed to be considered in order to enable the Resort to open for winter. This required a substantial amount of work in a short period of time, including the implementation of a redesigned operating model and market-leading COVID-19 safety practices. The successful implementation of this plan was a significant achievement and enabled the resort to open for winter from 22 June, which was a delay of 3 weekends on the prior year. As a result of this delay, and the impact of bushfires on results for January and February, revenue for the second half declined 43.1%.

For the full year, revenue was $73,914,000, 9.7% below the prior year, EBITDA was $24,865,000, 14.0% below the prior year, and normalised PBIT was $20,949,000, 16.3% below the prior year. Despite the headwinds experienced in the year ended 30 June 2020, the normalised PBIT result was the third highest in Thredbo's history.

Good momentum was achieved on the Thredbo growth strategy to increase capacity and improve the skier experience. The first phase of development was completed with the construction of the new Merritts Gondola completed in June for the 2020 snow season. To complement this, improvements have been made to widen and enable snowmaking on the Dream Run slope to provide a better skier experience. The building of 75 new car parking spaces at Friday Flat was also completed in June 2020. Summer 2020 will see the continuation of the construction of new mountain bike trails and development planning continuing for future lift replacements. With this investment, Thredbo Alpine Resort will continue to deliver a premium skier experience.

PROPERTY AND OTHER INVESTMENTS

The normalised profit before interest and income tax expense was $6,372,000, a decrease of $7,064,000 below the prior comparable year. The result included a fair value decrement of $1,657,000, versus the $1,931,000 increment in the prior year.

Rental revenue was consistent with the prior year, however the normalised result includes a provision for rental income receivable that is not expected to be recovered from tenants impacted by COVID-19.

The Group has continued to make good progress with the two major development projects at 525 George Street and 458-472 George Street, Sydney. The Concept Development Application for the proposed 525 George Street, Sydney development was approved in May 2020 for a mixed use development of up to 43 storeys to include a podium with ground floor retail space (830m2) on George Street, a seven-screen cinema complex, and a tower including a new Atura hotel with approximately 450 rooms, a conference centre, and 72 residential apartments. Subject to market conditions, this development is expected to take four to five years to complete.

EVENT

HOSPITALITY & ENTERTAINMENT

The Concept Development Application for the proposed 458-472 George Street, Sydney development was lodged in August 2019 for a mixed-use development of up to 31 storeys to include a podium with ground floor retail space (340m2) on George Street, an extension of the QT Sydney hotel with 72 additional rooms and conference centre, QT rooftop bar and a commercial office tower. It is anticipated that two DAs will be required for this project. The first will relate to the 12 level podium. The second will relate to the 16 level Commercial tower above the Podium. Subject to market conditions, this development is expected to take four to six years to complete.

UNALLOCATED REVENUES AND EXPENSES

The unallocated revenues and expenses, which include the Group's corporate functions and various head office expenses, were 10.9% below the prior comparable year. In the second half, unallocated expenses were 17.4% below the prior comparable half year. The favourable variance was driven by transformation initiatives and cost reduction measures, including measures taken in response to COVID-19, JobKeeper subsidies of $468,000, voluntary director fee and executive salary reductions in response to COVID-19, and adjustments in relation to the Group's incentive plans, partially offset by an unfavourable increase in insurance premiums of $293,000.

END

For personal use only

EVENT HOSPITALITY & ENTERTAINMENT LIMITED

ABN 51 000 005 103

2020 ANNUAL REPORT

CONTENTS

For personal use only

DIRECTORS' REPORT

The directors present their report together with the financial report of EVENT Hospitality & Entertainment Limited, being the Company and its controlled entities ("Group"), for the year ended 30 June 2020 and the auditor's report thereon.

DIRECTORS

The directors of the Company in office at any time during or since the end of the year are:

AG Rydge (Chairman)
Director since 1978

KG Chapman
Director since 2010, resigned 27 August 2019

PR Coates
Director since 2009

VA Davies
Director since 2011

DC Grant
Director since 2013

JM Hastings (Managing Director and Chief Executive Officer)
Director since 2017

PM Mann
Director since 2013

RG Newton
Director since 2008.

Directors' qualifications, experience and independent status

Alan Rydge

Non-executive Chairman, Board member since 1978, Chairman of the Board since 1980. Member of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.

Experience

A company director with more than 45 years of experience in the film, hospitality, leisure and tourism industries. Joined the Greater Union group in 1971 and was formerly the Group Managing Director.

Directorships

Mr Rydge is also a director of the listed company, Carlton Investments Limited (appointed 1980, chairman since 1980). In addition, Mr Rydge is chairman of Alphoeb Pty Limited and Enbeear Pty Limited.

For personal use only

Directors' qualifications, experience and independent status (continued)

Peter Coates ***AO, BSc (Mining Engineering), FAICD, FAusIMM***
Independent non-executive director and Board member since 2009, and Chairman of the Nomination and Remuneration Committee. Mr Coates is the lead independent director.
Experience
A company director with more than 50 years of resource industry experience including as chief executive officer of Xstrata and Glencore's global coal businesses until his retirement in December 2007. Mr Coates was a past non-executive chairman of Santos Limited, Sphere Minerals Limited and Minara Resources Ltd, and a past chairman of the Minerals Council of Australia, NSW Minerals Council and Australian Coal Association. He was made an Officer of the Order of Australia in 2009 and awarded the Australasian Institute of Mining and Metallurgy Medal in 2011.
Directorships
Positions held by Mr Coates during the last three years include:
- director of Glencore plc;
- chairman of the Industry Advisory Council for the School of Minerals and Energy Resource Engineering, UNSW; and
- chairman of Santos Limited (resigned 19 February 2018).

Valerie Davies ***FAICD***
Independent non-executive director and Board member since 2011.
Experience
A company director with more than 20 years of broad experience across diverse sectors, including tourism, property, technology, labour-hire, health and media. In parallel, Ms Davies established her own consultancy in corporate communications, working at the highest level with numerous tier 1 national and international business organisations addressing the complexities of issues management, communications, coaching and mentoring. Ms Davies is a member of Chief Executive Women, a former Telstra Business Woman of the Year (WA) and a past Vice-President of the Australian Institute of Company Directors (WA).
Directorships
Positions held by Ms Davies during the last three years include:
- director of Cedar Woods Properties Limited;
- director of HBF Health Limited (resigned 24 October 2017); and
- commissioner of Tourism Western Australia.

David Grant ***BComm, CA, GAICD***
Independent non-executive director, Board member since 2013, and Chairman of the Audit and Risk Committee.
Experience
A company director and a Chartered Accountant with more than 25 years of accounting and finance experience spanning both the accounting profession and the commercial sector. Mr Grant's executive career included roles with Goodman Fielder Limited and Iluka Resources Limited. Mr Grant was formerly a non-executive director of iiNet Limited.
Directorships
Positions held by Mr Grant during the last three years include:
- director of Retail Food Group Limited (appointed 25 September 2018);
- director of The Reject Shop Limited (appointed 1 May 2019);
- director of A2B Australia Limited (appointed 2 June 2020); and
- director of Murray Goulburn Co-operative Co. Limited (appointed 27 October 2017 and resigned 26 June 2020).

For personal use only

Directors' qualifications, experience and independent status (continued)

Jane Hastings *BComm*
Managing Director and Chief Executive Officer ("CEO") since 1 July 2017.
Experience
Ms Hastings has more than 20 years of experience in the tourism, hospitality and entertainment sectors. Ms Hastings was previously CEO of New Zealand Media and Entertainment (NZME) (2014 – 2016). Ms Hastings was appointed as the Group's Chief Operating Officer in 2016 and CEO in 2017.
Directorships
Ms Hastings was previously a New Zealand Film Commission board member.

Patria Mann *BEc, FAICD*
Independent non-executive director and Board member since 2013. Member of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.
Experience
A professional non-executive director with extensive audit, investigation, risk management and corporate governance experience. Mrs Mann qualified as a Chartered Accountant and was a former partner of KPMG and has been a professional non-executive director for over 15 years. Mrs Mann has extensive audit, investigation, risk management and corporate governance experience.
Directorships
Positions held by Mrs Mann during the last three years include:
- director of Ridley Corporation Limited;
- director of Allianz Australia Limited (retired 30 June 2020); and
- director of Bega Cheese Limited (appointed 10 September 2019).

Richard Newton *BBus (Marketing), FAICD*
Independent non-executive director and Board member since 2008.
Experience
A company director with over 30 years of senior executive experience in property investment and development, specifically in hotel operations.
Directorships
Positions held by Mr Newton during the last three years include:
- chairman of Capricorn Village Joint Venture, WA;
- chairman and director of Selpam (Australia) Pty Limited and a director of various companies wholly owned by Selpam (Australia) Pty Limited; and
- director of Bonsey Jaden Pte Ltd, a digital advertising agency.

Explanation of abbreviations and degrees: ***AO*** Officer of the Order of Australia; ***BBus (Marketing)*** Bachelor of Business (Marketing)*;* ***BComm*** Bachelor of Commerce*;* ***BEc*** Bachelor of Economics*;* ***BSc (Mining Engineering)*** Bachelor of Science (Mining Engineering)*;* ***CA*** Member of Chartered Accountants Australia and New Zealand; ***FAICD*** Fellow of the Australian Institute of Company Directors; ***FAusIMM*** Fellow of the Australasian Institute of Mining and Metallurgy; and ***GAICD*** Graduate Member of the Australian Institute of Company Directors.

COMPANY SECRETARIES
GC Dean CA, ACIS was appointed to the position of Company Secretary for EVENT Hospitality & Entertainment Limited in December 2002. GC Dean was Accounting Manager for the Company (2001 – 2002) and is a Chartered Accountant and a member of the Governance Institute of Australia.

DI Stone FCA, ACIS was appointed to the position of Company Secretary for EVENT Hospitality & Entertainment Limited in February 2012. Prior to this appointment, DI Stone was an audit senior manager at KPMG. DI Stone is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Governance Institute of Australia.

CORPORATE GOVERNANCE
The Board endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd edition. The Group has disclosed its 2020 Corporate Governance Statement in the corporate governance section on its website (https://www.evt.com/investors/). As required, the Group has also lodged the 2020 Corporate Governance Statement and Appendix 4G with the ASX.

For personal use only

DIRECTORS' MEETINGS
The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the year are set out below:

	Directors' meetings		Audit and Risk Committee meetings		Nomination and Remuneration Committee meetings		Other special purpose committee meetings (a)	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
AG Rydge	10	10	5	5	8	8	3	3
KG Chapman (b)	2	2	–	–	–	–	–	–
PR Coates	10	9	–	–	3	3	3	3
VA Davies	10	10	–	–	–	–	–	–
DC Grant	10	10	5	5	5	5	3	3
JM Hastings (c)	10	10	5	4	4	4	3	3
PM Mann	10	10	5	5	8	8	–	–
RG Newton	10	10	–	–	–	–	–	–

(a) Other special purpose committees were formed during the year to assist the Board with its response to the global coronavirus pandemic.
(b) KG Chapman resigned on 27 August 2019.
(c) JM Hastings attended Audit and Risk Committee and certain Nomination and Remuneration Committee meetings by invitation. Other directors who are not members of a committee may attend meetings by invitation from time to time.

From time to time, directors visit various sites to improve their understanding of the Group's locations and operations. Director site visits have been limited during the year ended 30 June 2020 as a result of the impact of the global coronavirus pandemic ("COVID-19").

PRINCIPAL ACTIVITIES
The principal activities of the Group during the course of the year included the following:
- cinema exhibition operations in Australia and New Zealand, including technology equipment supply and servicing, and the State Theatre;
- cinema exhibition operations in Germany (see below);
- ownership, operation and management of hotels and resorts in Australia and overseas;
- operation of the Thredbo resort including property development activities; and
- property development, investment properties, and investment in shares in unlisted companies.

COVID-19 has had a material impact on the Group's operating divisions, including the government-mandated temporary closure of the Group's cinemas in Australia, New Zealand and Germany in March 2020. Further information regarding the impact of COVID-19 on the Group is set out below in the Operating and Financial Review.

On 22 October 2018, the sale of the German cinema exhibition operations to Vue International Bidco plc, subject to Federal Cartel Office ("FCO") approval, was announced; see page 8 for further details. As at 30 June 2020, the sale has yet to be completed.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
COVID-19 has had a material impact on the Group's operating divisions, including the government-mandated temporary closure of the Group's cinemas in Australia, New Zealand and Germany in March 2020. Further information regarding the impact of COVID-19 on the Group is set out below in the Operating and Financial Review.

There were no other significant changes in the state of affairs of the Group during the year.

For personal use only

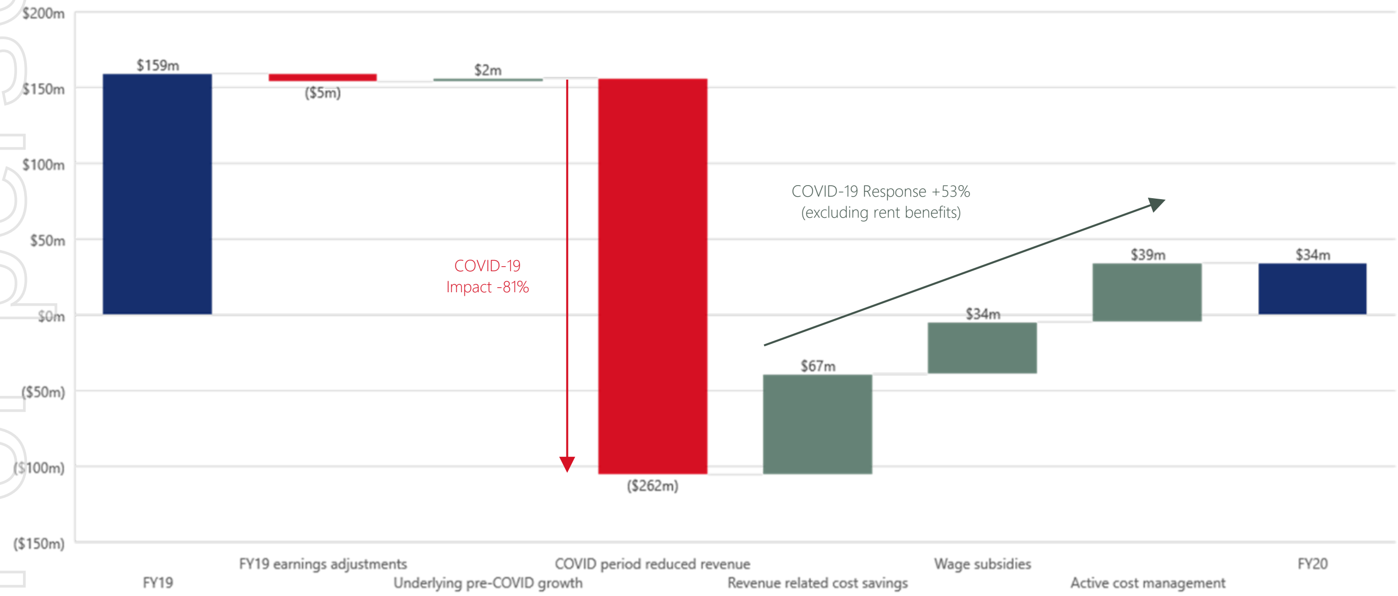
For personal use only

OPERATING AND FINANCIAL REVIEW

Key points

- The year was impacted by the most unprecedented external market factors (bushfires, floods, COVID-19) and COVID-19 government mandated restrictions, experienced in the company's 110-year history.
- Strong momentum on group strategy resulting in good performance prior to the COVID-19 period (unaudited) driving overall growth in revenue ($684,595,000, +2.5% on an adjusted basis) and normalised profit ($105,736,000, +2.2% adjusted) from continuing operations in the period up to February 2020.
- Normalised profit before interest and tax ("PBIT") from continuing operations of $34,101,000 (2019: $158,945,000) was down due to impact of COVID-19 in the final four months of the year, including government-mandated temporary closure of cinemas in Australia, New Zealand and Germany, government-mandated travel restrictions impacting hotels and government-mandated restrictions impacting Thredbo Alpine Resort operations.
- COVID-19 government-mandated restrictions resulted in revenue loss of $261,615,000, but swift development of new operating models, cost management and government wage subsidies mitigated the impact by $139,651,000, excluding the majority of the benefit derived from landlord negotiations which will be reflected in the FY20/21 year due to accounting requirements.
- Leading COVID safe operating practices for each division implemented and tested by infectious disease experts.
- Statutory loss of $11,366,000 (2019: profit of $111,889,000) after interest, income tax, individually significant items and discontinued operations. Individually significant item expense net of tax $53,571,000 (2019: income of $2,808,000) includes $56,910,000 (before tax) non-cash impairment charges. The net impact of AASB 16 *Leases* was an expense of $635,000.
- Net debt at 30 June 2020 of $421 million and new debt facility secured and increased to $750 million, majority matures in 2023.
- Strong balance sheet underpinned by a solid property portfolio with a fair value of $2.0 billion at the most recent valuation dates.
- New operating models developed for each division to enable business to pivot for COVID-19 scenarios and deliver benefits into the future.
- Clear evidence of pent-up demand as government-mandated restrictions are eased.

Analysing the COVID-19 impact on normalised profit



1. Normalised profit is profit before the impact of AASB 16 Leases, interest, tax, individually significant items and discontinued operations. Normalised profit is an unaudited non-International Financial Reporting Standards ("IFRS") measure.
2. FY19 earnings adjustments relate to the impact of AASB 15 Revenue and the reduced gift card breakage resulting from the change in statutory validity period from 1 to 3 years, the cessation of virtual print fee revenue, and the partial closure of Rydges Queenstown in March 2019.
3. Underlying pre-COVID growth in earnings is an unaudited amount adjusted for the impact of AASB 15 Revenue and the reduced gift card breakage resulting from the change in statutory validity period from 1 to 3 years, the cessation of virtual print fee revenue, and the partial closure of Rydges Queenstown in March 2019.
4. COVID period reduced revenue is before wage subsidies (presented separately).
5. Revenue related cost savings include film hire and cost of goods sold.
6. Wage subsidies include JobKeeper in Australia and the Wage Subsidy in New Zealand.
7. Active cost management represents all other cost savings in the COVID-19 period other than revenue related cost savings identified above.

Overview of the Group

Reported net loss after discontinued operations was $11,366,000 (2019: profit of $111,889,000), $123,255,000 below the prior year result. The normalised result before interest and income tax expense from continuing operations was $34,101,000 (2019: $158,945,000), a decrease of $124,844,000 or 78.5% and the normalised result after tax from continuing operations was $18,014,000 (2019: $104,271,000), a decrease of $86,257,000 or 82.7% below the prior year result. A summary of the normalised result is outlined below:

	2020			2019		2018	
	Normalised result* $'000	Net impact of AASB16 $'000	Reconciliation to reported net profit $'000	Normalised result* $'000	Reconciliation to reported net profit $'000	Normalised result* $'000	Reconciliation to reported net profit $'000
Entertainment							
Australia and New Zealand	(8,672)	20,428	11,756	70,213	70,213	79,750	79,750
Hospitality and Leisure							
Hotels and Resorts	32,583	1,145	33,728	69,502	69,502	69,270	69,270
Thredbo Alpine Resort	20,949	–	20,949	25,017	25,017	21,838	21,838
Property and Other Investments	6,372	–	6,372	13,436	13,436	16,528	16,528
Unallocated revenue and expenses	(17,131)	–	(17,131)	(19,223)	(19,223)	(17,034)	(17,034)
	34,101	21,573	55,674	158,945	158,945	170,352	170,352
Finance revenue	258	–	258	527	527	528	528
Finance costs	(7,675)	(22,208)	(29,883)	(9,882)	(9,882)	(6,402)	(6,402)
	26,684	(635)	26,049	149,590	149,590	164,478	164,478
Income tax expense	(8,670)	192	(8,478)	(45,319)	(45,319)	(52,821)	(52,821)
Profit from continuing operations	18,014	(443)	17,571	104,271	104,271	111,657	111,657
Individually significant items – net of tax	(53,571)	–	(53,571)		2,808		(10,198)
Discontinued operations – net of tax	(12,297)	36,931	24,634		4,810		10,451
(Loss)/profit for the year	(47,854)	36,488	(11,366)		111,889		111,910

* Normalised result is profit for the year before individually significant items (as outlined in Note 2.3 to the financial statements and in the table below). As outlined in Note 2.2 to the financial statements, this measure is used by the Group's CEO to allocate resources and in assessing the relative performance of the Group's operations. The normalised result is an unaudited non-International Financial Reporting Standards measure.

personal use only

For personal use only

Overview of the Group (continued)

An analysis of the last five years is outlined below:

	2020	2019	2018	2017	2016
Total revenue and other income ($'000)	1,030,921	1,304,288	1,289,738	1,294,269	1,280,889
Basic earnings per share (cents)	(7.1)	69.6	69.8	69.6	82.2
Dividends declared[(a)] ($'000)	33,851	83,822	83,670	81,886	81,886
Dividends per share (cents)	21	52	52	51	51

(a) Includes the interim dividend paid and the final dividend declared in relation to the financial year ended 30 June. No final dividend was declared in relation to the year ended 30 June 2020.

Adoption of AASB 16 *Leases*

The Group adopted AASB 16 *Leases* ("AASB 16") with an initial application date of 1 July 2019. As a result, the Group has changed its accounting policy for lease contracts. In accordance with the transitional provisions in AASB 16, the new rules have been applied retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019. Comparatives for the prior year have not been restated.

AASB 16 requires the recognition of a right-of-use asset and lease liability for each operating lease, with certain limited exceptions. Fixed rental expense is generally no longer recognised in respect of operating leases. Instead, the right-of-use asset is depreciated over the lease term, whilst interest expense is incurred in respect of the lease liability.

The net impact of AASB 16 on the Group's profit before income tax from continuing operations for the year ended 30 June 2020 was a reduction in profit of $635,000.

Further details of this change in accounting policy are disclosed in Note 1.4 to the financial statements.

Discontinued operation – CineStar Germany

On 22 October 2018, the sale of the German Cinema operation to Vue International Bidco plc, subject to FCO approval, was announced. As a result, the Entertainment Germany result has been reported as a discontinued operation. The sale consideration is €187 million (A$305 million). On 3 March 2020, the Group announced that the FCO had provided conditional clearance for the transaction subject to the divestment of six sites within a six-month period. On 21 August 2020 the Group announced that a sale of one of these six sites had been completed and that the FCO had provided an extension of time for satisfaction of its conditions in respect of the remaining five sites until 13 November 2020. The sales process for the remaining five sites is ongoing.

Individually significant items

Individually significant items comprised the following:

	2020 $'000	2019 $'000
Reversal of impairment charges booked in previous years	2,219	9,809
Impairment charges	(56,910)	–
Write-off of assets	(6,232)	–
Redundancies and restructure costs	(6,723)	(3,869)
Hotel and cinema pre-opening costs	(592)	(3,473)
Legal and other costs associated with the sale of a business segment	(2,263)	(1,775)
Other expenses	(3,533)	(1,194)
Individually significant items expense before income tax	(74,034)	(502)
Income tax benefit	20,463	3,310
Individually significant items (expense)/income after income tax	(53,571)	2,808

Investments

The Group acquired property, plant and equipment totalling $120,268,000 during the year. The significant acquisitions and capital additions include the following:

- cinema developments at Clayton, Victoria (joint venture), Edmondson Park, NSW (joint venture) and Broadway, Auckland NZ;
- Merritts gondola at Thredbo; and
- refurbishment requirements for Thredbo, cinemas, hotels and resorts.

For personal use only

Property
The Group's interest in land and buildings and integral plant and equipment, including long term leasehold land and improvements, is independently valued by registered qualified valuers on a progressive three-year cycle. Independent valuations for the majority of the Group's properties were obtained at 30 June 2018, and the total value of the Group's interest in land and buildings, excluding investment properties, based on these independent valuations is $1,903,234,000 (refer to Note 3.3 to the financial statements) whilst the total written-down book value of these land and buildings including integral plant and equipment at 30 June 2020 was $1,042,538,000. The total value of the investment properties at 30 June 2020 was $74,550,000.

Capital structure
Cash and term deposits at 30 June 2020 totalled $67,062,000 and total bank debt outstanding was $488,300,000.

Treasury policy
The Group manages interest rate risk in accordance with a Board approved treasury policy covering the types of instruments, range of protection and duration of instruments. The financial instruments cover interest rate swaps and forward rate agreements. Maturities of these instruments are up to a maximum of five years. Interest rate swaps and forward rate agreements allow the Group to raise long term borrowings at floating rates and swap a portion of those borrowings into fixed rates.

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. At 30 June 2020, the Group had no interest rate hedges (2019: no interest rate hedges).

Liquidity and funding
As at 30 June 2020, the Group's secured bank debt facilities comprised the following:
- $545,000,000 revolving multi-currency loan facility; and
- $15,000,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities were due to mature on 15 August 2020 and were supported by interlocking guarantees from most Group entities and secured by specific property mortgages (refer to Note 3.3 to the financial statements).

Subsequent to 30 June 2020, the Group's secured bank debt facilities were amended and restated on 3 July 2020 and now comprise the following:
- $650,000,000 revolving multi-currency loan facility maturing on 3 July 2023;
- $100,000,000 non-revolving loan facility maturing on 3 January 2022; and
- $2,500,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 1.75% and 4.35% per annum.

Cash flows from operations
Net operating cash inflows increased to $176,367,000 from $171,369,000 recorded in the prior year. Following the adoption of AASB 16 *Leases*, lease payments of $99,332,000 have been recognised in cash flows from financing activities, and adjusted for this item the net operating cash inflows decreased to $77,035,000, 55.0% below the prior year. This movement was driven by the impact of COVID-19 on the Group's operations in the second half of the financial year.

Impact of legislation and other external requirements
A number of statutory requirements have been introduced in Australia, New Zealand and Germany by relevant authorities in response to COVID-19. Where applicable, these requirements have been satisfied by the Group in each territory.

Safety and wellbeing remain the Group's highest priority. Detailed COVID-19 safety plans and staff training programs have been developed for each of the Group's operating divisions. In addition, to ensure these plans are consistent with best practice in Australia, advice was also sought from infectious diseases experts and has been implemented.

There were no other changes in environmental or other legislative requirements during the year that have significantly impacted the results of operations of the Group.

REVIEW OF OPERATIONS BY DIVISION

ENTERTAINMENT

Entertainment Group

On a consolidated basis, revenue for the Entertainment Group (Australia and New Zealand) decreased 24.1% on the prior year to $410,638,000, normalised earnings before interest, tax, depreciation and amortisation ("EBITDA") was down 74.9% to $26,322,000 and normalised PBIT was down 112.4% to a loss of $8,672,000. These variances reflect the impact of COVID-19 government mandated restrictions on the Entertainment Group from March 2020 following directives to close cinemas in Australia and New Zealand and COVID-19 related delays in global release dates for major film titles.

The Entertainment Group results in the pre-COVID period July 2019 to February 2020 were strong. Across Australia and New Zealand, market box office performance in this period was the best result since the year ended 30 June 2017, results from new initiatives were exceeding expectations and key performance indicators demonstrated strong growth. As a result, revenue increased 5.4%, EBITDA increased 2.2%, and normalised PBIT increased 2.9% on the prior comparable period. However, adjusted to provide a more comparative view, Entertainment Group revenue increased 6.2%, EBITDA increased 7.0% and normalised PBIT increased 10.9%. The adjustments include the impact of the reduced gift card breakage revenue related to the legislated change in expiry dates, the impact of AASB 15 *Revenue*, and the decrease in virtual print fee income in New Zealand.

During the COVID-19 period March 2020 to June 2020, the Group immediately responded with a number of cost-saving initiatives and applied the Australian JobKeeper and New Zealand Wage Subsidy programs to mitigate the impact of the government's mandated closure of cinemas. The cost saving initiatives implemented have enabled the Group to implement a new, more efficient operating model for its cinemas that that will provide ongoing benefits once cinema trading returns to normal.

Detailed commentary on Australia and New Zealand is set out below.

Entertainment – Australia

As at 30 June	2020	2019	Movement
Cinema locations*	72	75	(3)
Cinema screens*	686	701	(15)

* Managed and joint venture cinema sites (excludes Moonlight Cinema sites and screens and the State Theatre).

Revenue prior to the impact of COVID-19, increased 3.6%, consistent with overall growth in the Australian Box Office of 3.7%. To provide a more comparative view, adjusting for the impact of reduced gift card breakage revenue related to the legislated change in expiry of gift cards from one to three years and the impact of AASB 15 *Revenue*, revenue increased 4.3%.

Titles that grossed over $30 million at the Australian Box Office during the year included: *The Lion King* ($64.1 million); *Star Wars: The Rise of Skywalker* ($47.3 million); *Jumanji: The Next Level* ($45.9 million); *Joker* ($40.8 million); *Frozen 2* ($39.9 million); and *Spider-Man: Far from Home* ($37.3 million). These top six titles collectively grossed $275.3 million, an increase of 23.0% on the collective gross of the top seven titles in the equivalent period in the prior year.

Average admission price growth of 4.4% was achieved with an increased proportion of customers choosing one of the Group's premium cinema concepts, including the new 4DX, Daybeds and Boutique concepts.

A record period of merchandising spend per customer growth was achieved as a result of the rollout of new merchandising layouts, the continued growth of the owned brand Parlour Lane and eCommerce enhancements. As a result, the Group experienced seven out of eight record months of merchandising spend during the pre-COVID-19 period.

Good progress was achieved on the Entertainment strategy of fewer and better locations with targeted investment in premium concepts. A number of screens were refurbished, with the Group's Future of Cinema concepts implemented to generate greater returns from cinema spaces. The enhancements included:

- Four locations (Macquarie, Shellharbour, Tuggerah and George Street) were upgraded with the new three-seat concept format of daybeds, reclining seats and premium fixed back seating delivering growth in key metrics.
- Day beds were also introduced to Vmax auditoriums at 14 of the circuit's key locations, resulting in nearly 60% of Vmax cinemas now offering daybeds.
- Two Gold Class auditoriums and a Gold Class lounge was introduced to Tuggerah in December 2019 and an auditorium at Macquarie was converted to a Gold Class auditorium to increase the number of Gold Class auditoriums at the site to four.
- Auditoriums at Pacific Fair, Parramatta and Chermside were converted to 4DX.

For personal use only

- The first 'BCC Recline' concept and auditorium (recliner seating) was installed at Toombul.
- The new family friendly Event Junior concept rolled out at Macquarie and Shellharbour delivering increased average admission price and occupancy, outperforming other auditoriums for children's content.
- Candy areas at Macquarie and Toombul were converted to the new Marketplace concept delivering an increase in spend per customer of over 20%.

Strong growth in online revenue continued, up 19.4%. The Group's direct customer relationships remain exceptionally strong with Cinebuzz representing more than 69% of cinema visits and more than 86% of online transactions. The Group has leveraged the connections with its 2.2 million active Cinebuzz members during the COVID-19 closure period and as cinemas reopened in July 2020. This included conducting the largest cinema audience research study in Australia and New Zealand to assist in forming COVID-19 plans that would encourage a strong return of audiences to cinemas when films were released.

To provide a comparative view, adjusting to reflect the legislated change in expiry of gift cards, EBITDA for the pre-COVID-19 period from July 2019 to February 2020 was up 3.2% on the prior comparable period and normalised PBIT was up 8.8% on the prior comparable period. Before adjusting for this impact, EBITDA for the pre-COVID-19 period was $51,454,000, 1.1% below the prior comparable period, and normalised PBIT was $34,437,000, 1.5% above the prior comparable period.

In the COVID-19 period from March to June 2020, revenue declined by $119,714,000 when compared with the equivalent period in the prior year, and total expenses, including payroll but excluding the anticipated benefit of rental abatements, were reduced by 45%.

In March 2020, the government-mandated closure of cinemas and cost mitigation plans were immediately implemented. This included a new people strategy including the stand down of more than 90% of employees, flexi work arrangements introduced for required roles, reviewing and restructuring head office functions and application of the Australian government's JobKeeper scheme, in respect of which total payments were received for Entertainment Australia of $18,410,000 in the year ended 30 June 2020, offsetting around 70% of payroll.

Negotiations with key suppliers were undertaken to minimise costs during the closure period and outgoings at a site level were also reduced substantially whilst maintaining a minimum level of site maintenance to ensure the protection of the Group's cinema assets.

In addition, negotiations with landlords commenced in relation to rental abatements and deferral for the COVID-19 closure period. In relation to landlord negotiations, the Group expects to conclude agreements with the majority of landlords during the first half of the year ended 30 June 2021 and any rental abatements will be recognised once those agreements have been signed. No significant rent relief measures have been recognised in the year ended 30 June 2020 for Entertainment Australia. It is anticipated that rent abatements will be recognised in the year ending 30 June 2021 subject to the execution of agreements with landlords.

A new operating model was also developed that has been adopted when cinemas re-opened in July 2020 and will continue to be applied beyond the COVID-19 period. This includes variable rostering to better reflect trading patterns.

Recognised COVID-19 safety plans were developed and implemented and endorsed by infectious disease experts, and have been reflected in improved net promoter scores since cinemas were reopened in July 2020.

As part of the continuing strategy rationalise the cinema portfolio, the Group closed Mackay City cinema (5 screens) in December 2019, and exited leases at Cronulla (6 screens) and Manuka (6 screens) in the second half of the year.

Entertainment – New Zealand
(*Note: all amounts in Australian dollars unless otherwise stated)*

As at 30 June	2020	2019	Movement
Cinema locations *	21	20	1
Cinema screens *	144	137	7

* Managed and joint venture cinema sites.

Revenue for the period from July 2019 to February 2020, prior to the impact of COVID-19, increased 15.0% which was a record revenue result. The Group outperformed growth in the New Zealand market box office of 2.8% with Entertainment New Zealand box office growth of 13.4% for the pre-COVID-19 period. Adjusted for the reduction in virtual print fee income, New Zealand Entertainment revenue was up 16.0%. The Group's market share increased by 3.0 percentage points on the prior comparable

For personal use only

period, due to market share growth in Auckland, together with the opening of the new Event Cinemas Tauranga Crossing site in April 2019 and a reduction in overall screen numbers in the Wellington market.

Average admission price growth of 10.9% was achieved during the pre-COVID-19 period as a result of targeted demand-based variable pricing and the rollout of more premium seating options. A record merchandising spend per head was achieved up 7.0%, driven by a focus on the core product range and the continued growth from the owned brand Parlour Lane.

Similar to Australia, Cinebuzz continues to strengthen with 58% growth in active membership and Cinebuzz represented approximately 81% of all transactions.

The five highest grossing titles with the New Zealand market included: *The Lion King* (NZ$12.6 million); *Star Wars: The Rise of Skywalker* (NZ$7.3 million); *Frozen 2* (NZ$6.3 million); *Jumanji: The Next Level* (NZ$5.9 million); and *Spider-Man: Far from Home* (NZ$5.5 million). These five titles achieved a combined total of NZ$37.6 million, an increase of 17.5% on the top five grossing titles in the equivalent period in the prior year.

During the year, the virtual print fee agreements with the major distributors concluded, resulting in the virtual print fee revenue decreasing by $1,001,000. EBITDA for the pre-COVID-19 period was $10,263,000, 22.7% above the prior comparable period and the normalised PBIT was $5,530,000, 12.6% above the prior comparable period. Adjusted for the reduction in virtual print fees, EBITDA was up 30.7% and the normalised PBIT was up 25.4%.

Following the closure of cinemas in March 2020 in line with government directives, cost mitigation plans were implemented, including redundancies, a voluntary reduction of hours for remaining salaried employees, and application of the New Zealand government's wage subsidy scheme. The Entertainment New Zealand result includes $2,393,000 of wage subsidies, recognised in revenue.

The Group also commenced negotiations with its landlords in relation to rent abatement and deferral for the COVID-19 closure period. The majority of rent abatement agreements in relation to Entertainment New Zealand are expected to be finalised during the first half of the year ending 30 June 2021, and no material benefit has been recognised in the result for the year ended 30 June 2020.

Negotiations with key suppliers were undertaken to minimise costs during the closure period, whilst outgoings at a site level were also reduced substantially whilst maintaining a minimum level of site maintenance to ensure the protection of the Group's cinema assets.

In February 2020, the Group opened a new seven-screen premium cinema at Newmarket, Auckland, incorporating the new Boutique premium cinema concept, two three-seat Vmax concept auditoriums and three cinemas with two seating configurations. The Group also completed upgrades to a number of cinemas, including new seating concepts and foyer upgrade works at Queen Street and Westgate, and Vmax auditorium conversions at Albany and Manukau, whilst seating and foyer upgrade works were completed at the regional location of Whangarei. Due to the completion of these projects in the later in the first half and early second half, these projects had minimal impact on the result pre-COVID.

Discontinued operation – Entertainment Germany
As noted above, this division has been presented as a discontinued operation in the income statement for the year ended 30 June 2020.

The reported net profit after income tax from Entertainment Germany was $24,634,000, an increase of $19,824,000 above the prior year. The result included a net increase in profit after income tax of $36,931,000 relating to the application of AASB 16 *Leases*, and was further impacted by the requirement under AASB 5 *Non-current Assets Held for Sale and Discounted Operations* not to charge depreciation or amortisation following the classification of a division as held for sale. Adjusting for these two items, the normalised loss before income tax was $18,618,000 (2019: profit of $426,000) and the net loss after income tax expense was $19,438,000 (2019: loss of $1,516,000).

A strong revenue result was achieved for the period from July 2019 to February 2020, prior to the impact of COVID-19, up 15.3%. During this period, the overall German market experienced a strong recovery with German market admissions up 15.9%. The prior year was impacted by the disruption caused by the FIFA World Cup, and an extended summer with record warm weather.

The highest grossing titles with the German market included: *Frozen 2* (6.8 million admissions); *The Lion King* (5.6 million admissions); *Star Wars: The Rise of Skywalker* (5.2 million admissions); *Das Perfekte Geheimnis* (5.2 million admissions); and *Joker* (4.1 million admissions). The top ten films achieved total market admissions of 37.0 million and 27.6% above the top ten films of the prior year which achieved 29.0 million admissions.

For personal use only

Spend metrics for the circuit were all favourable prior to the impact of COVID-19 with average admission price up 0.7%, merchandising spend per head up 7.5% and tickets booked online up 4.7 percentage points.

All locations were closed in March 2020 as a result of the German government directive to close cinemas in response to COVID-19. The Group successfully applied the German government's short-time work scheme to assist in managing payroll costs during the closure period, with total revenue from this scheme of $3,830,000 during the year ended 30 June 2020. Other costs were well managed and all variable costs were flexed to respond to the variation in admission levels throughout the period and the closure of cinemas from March 2020 in response to COVID-19.

HOSPITALITY AND LEISURE
Hotels and Resorts

As at 30 June	2020	2019	Movement
Locations *	66	62	4
Rooms *	10,268	10,001	267
Locations (owned, leased and management letting rights)	26	27	(1)
Rooms (owned, leased and management letting rights)	3,805	3,915	(110)

* Owned, managed and other hotels with which the Group has a branding and/or service agreement.

Overall Hotels and Resorts revenue was $277,573,000, a decrease of 21.5% on the prior comparable period. The result was defined by two distinctly different trading periods, pre COVID-19 July 2019 to February 2020 and the COVID-19 impacted period from March to June 2020.

Despite the impact of the Australian bushfires and restrictions on inbound tourism from China which disrupted markets in December 2019 and January 2020, the Group traded well in the pre-COVID-19 period. Over this period, owned hotel occupancy and revenue per available room (revpar) increased by 3.2 occupancy points and 3.8% respectively, a pleasing result given the headwinds and new supply entering certain markets. For the pre-COVID-19 period, after adjusting for the partial closure of Rydges Queenstown, revenue was down 1.4%, EBITDA increased 0.4% and normalised PBIT increased 0.5%.

From March 2020, there was a material deterioration in trading conditions as a result of COVID-19 government mandated travel restrictions imposed throughout Australian and New Zealand. During the COVID-19 impacted trading period, occupancy and revpar in the Group's owned hotels was 35.9% and $53.70 respectively, a decline of 44.5 occupancy points and 62.5% over the prior comparable period.

Following the COVID-19 driven collapse in demand from traditional hotel demand drivers the Group shifted focus to ensure market share was maximised from COVID-19 related market segments including the government quarantine programme, other government and medical support business and certain sectors that continued to operate during COVID-19. As the crisis gathered pace, the Group developed a variety of COVID-19 relevant accommodation offers which were promoted online and via the Group's extensive database of customers.

A swift and early response to COVID-19 with a comprehensive review of all costs and structures was conducted. Costs were reduced significantly across all hotels and at the corporate level. With the exception of one managed property in Darwin, the combination of securing scarce revenue and implementation of minimum viable operating models enabled the Group to keep hotels open in a manner that produced more favourable results than closing the hotels.

Business recovery planning began early in the crisis, with material and permanent restructuring to achieve efficiencies from new operating models and system changes. Refined and streamlined food and beverage offerings were also introduced. In addition to the short term loss mitigation tactics, these changes will result in long term efficiency gains and an enhanced guest experience. Overall, the restructuring undertaken during the COVID-19 period and the new minimum viable operating models are expected to deliver ongoing benefits.

The Group successfully applied the Australian government's JobKeeper scheme and the New Zealand government's wage subsidy scheme, and revenue recognised from these schemes totalled $9,667,000 and $1,692,000 respectively.

The Group's strategy of upgrading older owned hotels remains in place, however will be delayed and rescheduled in line with the recovery in trading conditions. This year, significant upgrades were completed to the guest suites, pool and lobby areas in QT Gold Coast, guest rooms, suites, dining and lobby areas at QT Sydney, additional meeting spaces at QT Sydney and QT Melbourne and the public areas, restaurant, bar and pool at Rydges Geelong.

For personal use only

DIRECTORS' REPORT

During the year, three new brand licensed hotels and one major managed hotel (Rydges Sydney Harbour) joined the Group. A management contract for Rydges Port Adelaide, due to open in 2022, was also secured.

The Group acquired a 50% interest in Jucy Snooze, an innovative budget accommodation product with current operations in Queenstown and Christchurch and a flagship property under development in Auckland. The Group has plans to expand this concept into Australia in the future.

Rydges Townsville was sold in December 2019 whilst being retained within the portfolio under a brand license agreement. The Group's only leased hotel, Rydges Capital Hill was closed in February due to severe storm damage. The hotel is scheduled to reopen in September 2020 after the completion of a multi-million dollar refurbishment.

The newly developed QT Auckland, Rydges Gold Coast Airport and Adelaide Oval Hotel will join the Group in the last quarter of the 2020 calendar year, as will New Zealand's first Atura hotel, Atura Wellington, following the rebranding of The Thorndon Hotel, Wellington.

Thredbo Alpine Resort
The result for Thredbo reflects the success of the business strategy generating a strong 2019 snow season with less favourable conditions and a promising start to the 2019-20 summer mountain biking season, before the impact of bushfires in the third quarter, and COVID-19 in the fourth quarter.

Revenue for the first half was consistent with a record prior year whilst EBITDA and normalised PBIT were only marginally below the prior year. Lift pass revenue for the 2019 snow season from 1 July 2019 increased 0.9%. Whilst skier visits decreased 5.2% primarily due to less favourable snow conditions in the peak July 2019 school holiday period, new yield management strategies offset this impact resulting in a 6.6% yield improvement. Revenue from food and beverage and snow sports were consistent with the prior comparable year.

Revenue from summer operations continued its strong growth trend in November and December with a record revenue result driven by a 36% increase in mountain biking revenue, before bushfires temporary closed the resort in early January 2020.

Second half results were negatively impacted by bushfires in January and February 2020. In March, COVID-19 government mandated restrictions were imposed which needed to be considered in order to enable the Resort to open for winter. This required a substantial amount of work in a short period of time, including the implementation of a redesigned operating model and market-leading COVID-19 safety practices. The successful implementation of this plan was a significant achievement and enabled the resort to open for winter from 22 June, which was a delay of 3 weekends on the prior year. As a result of this delay, and the impact of bushfires on results for January and February, revenue for the second half declined 43.1%.

For the full year, revenue was $73,914,000, 9.7% below the prior year, EBITDA was $24,865,000, 14.0% below the prior year, and normalised PBIT was $20,949,000, 16.3% below the prior year. Despite the headwinds experienced in the year ended 30 June 2020, the normalised PBIT result was the third highest in Thredbo's history.

Good momentum was achieved on the Thredbo growth strategy to increase capacity and improve the skier experience. The first phase of development was completed with the construction of the new Merritts Gondola completed in June for the 2020 snow season. To complement this, improvements have been made to widen and enable snowmaking on the Dream Run slope to provide a better skier experience. The building of 75 new car parking spaces at Friday Flat was also completed in June 2020. Summer 2020 will see the continuation of the construction of new mountain bike trails and development planning continuing for future lift replacements. With this investment, Thredbo Alpine Resort will continue to deliver a premium skier experience.

PROPERTY AND OTHER INVESTMENTS
The normalised profit before interest and income tax expense was $6,372,000, a decrease of $7,064,000 below the prior comparable year. The result included a fair value decrement of $1,657,000, versus the $1,931,000 increment in the prior year.

Rental revenue was consistent with the prior year, however the normalised result includes a provision for rental income receivable that is not expected to be recovered from tenants impacted by COVID-19.

The Group has continued to make good progress with the two major development projects at 525 George Street and 458-472 George Street, Sydney. The Concept Development Application for the proposed 525 George Street, Sydney development was approved in May 2020 for a mixed use development of up to 43 storeys to include a podium with ground floor retail space (830m2) on George Street, a seven-screen cinema complex, and a tower including a new Atura hotel with approximately 450 rooms, a conference centre, and 72 residential apartments. Subject to market conditions, this development is expected to take four to five years to complete.

For personal use only

The Concept Development Application for the proposed 458-472 George Street, Sydney development was lodged in August 2019 for a mixed-use development of up to 31 storeys to include a podium with ground floor retail space (340m2) on George Street, an extension of the QT Sydney hotel with 72 additional rooms and conference centre, QT rooftop bar and a commercial office tower. It is anticipated that two DAs will be required for this project. The first will relate to the 12 level podium. The second will relate to the 16 level Commercial tower above the Podium. Subject to market conditions, this development is expected to take four to six years to complete.

UNALLOCATED REVENUES AND EXPENSES

The unallocated revenues and expenses, which include the Group's corporate functions and various head office expenses, were 10.9% below the prior comparable year. In the second half, unallocated expenses were 17.4% below the prior comparable half year. The favourable variance was driven by transformation initiatives and cost reduction measures, including measures taken in response to COVID-19, JobKeeper subsidies of $468,000, voluntary director fee and executive salary reductions in response to COVID-19, and adjustments in relation to the Group's incentive plans, partially offset by an unfavourable increase in insurance premiums of $293,000.

BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

COVID-19 government mandated restrictions have had a material impact on the Group's operating divisions, including the temporary closure of the Group's cinemas in Australia, New Zealand and Germany in March 2020. Further information regarding the impact of COVID-19 on the Group in the year ended 30 June 2020 is set out above in the Operating and Financial Review.

Safety and wellbeing remain the Group's highest priority. Detailed COVID-19 safety plans and staff training programs have been developed for each of the Group's operating divisions. In addition, to ensure these plans are consistent with best practice in Australia, advice was also sought and implemented from infectious disease experts.

The Group's strategic plan remains unchanged but the timing will depend on the ongoing impact of COVID-19 in addition to other industry, economic and political conditions, the potential impact of global events, the future financial performance and available capital, the competitive environment, evolving customer needs and trends, and the availability of attractive opportunities. Strategies to achieve the Group's objectives will continue to evolve and change in response to these and other factors.

Further commentary regarding business strategies and prospects for future financial years is set out below.

MAXIMISING ASSETS – PROPERTY

The Group has a property portfolio including land and buildings, integral plant and equipment and long term leasehold land and improvements with a fair value of $2.0 billion (see Note 3.3 to the financial statements). The Group will pursue the following strategies in relation to the property portfolio:

- investing in the development of priority operating assets that generate a reasonable return;
- optimising the potential future development of the properties located at 458-472 George Street, Sydney and 525 George Street, Sydney and identifying other potential future developments of the Group's freehold properties;
- managing and maximising rental income associated with the Group's investment properties;
- divesting under-performing assets; and
- subject to available capital, considering opportunities to acquire assets that generate positive earnings and compliment the Group's portfolio.

Industry developments and risk factors

The independently-determined fair value of the Group's property portfolio may rise or fall according to a number of factors outside of the Group's control such as changes in applicable property market conditions, including as a result of COVID-19.

The Group's property portfolio includes property in zones of earthquake risk in New Zealand. A catastrophic incident affecting a Group property could have a material adverse impact on the Group's earnings as a result of catastrophic damage and loss of future profits.

For personal use only

ENTERTAINMENT

Whilst the Group has no control over the supply and general audience appeal of available films, providing consumers with a demonstrably superior experience in the cinema to that which can be achieved in the home is a central strategic platform. To achieve this, the Group will pursue the following strategies:

- continuing to develop the 'Future of Cinema' model to deliver a greater return from assets;
- investing in the best locations, and reviewing options for under-performing locations including potential divestment;
- implementing new pricing strategies;
- developing new food and beverage concepts;
- growing and enhancing the quality and value of the group's leading customer data position;
- identifying other sources of entertainment income and growing alternative content;
- leveraging technology to increase efficiency through automation;
- applying an agile approach with continual financial and operations scenario planning to respond to changing COVID-19 government-mandated restrictions; and
- implementing and enhancing COVID-19 practices to provide a safe environment for employees and customers.

Industry developments and risk factors

The Group believes that there are certain current issues pertaining to the industry, including in respect of COVID-19, that have the capacity to impact the strategic plans and future direction of the cinema operations. The Group will continue to monitor developments in relation to the following issues:

- disruption to global release dates of major film titles as a result of COVID-19;
- alternative film delivery methods and the rise in popularity of other forms of entertainment (including over-the-top ("OTT") internet content, subscription-based streaming services and video on demand ("VOD"));
- shortening of the release window of film to other formats such as OTT and VOD;
- increase in unauthorised recording (piracy) of visual recordings for commercial sale and distribution via the internet;
- increase in competition including in relation to pricing;
- international media industry consolidation which may reduce the number of distributors of Hollywood film titles;
- changes in operating expenses including employee expenses and energy costs; and
- impact of weather on cinema attendance.

HOTELS AND RESORTS

The Group will work to leverage the advantage of being Australasian based as the market pivots heavily toward domestic demand drivers as a result of COVID-19 with a continued focus on the expansion of a strong brand portfolio covering all key market segments, with the lifestyle brands QT and Atura, mid-market brand Rydges Hotels and budget brand Jucy Snooze, whilst maintaining the flexibility for unique locally branded hotels to join the portfolio. To provide this, the Group will continue to pursue the following strategies:

- continual improvement of brands and customer experiences to improve customer sentiment;
- investing in upgrades of key properties and redevelopment of existing properties after capital expenditure restraints imposed in response to COVID-19 have been relaxed;
- leveraging and monetising capabilities by adding new rooms to the Group's portfolio through hotel management, brand license and affiliate agreements,
- enhancing sales practices and product innovation to adapt and secure new and emerging market opportunities;
- enhancing the Priority Guest Rewards loyalty program as a competitive advantage in Australia and New Zealand markets;
- improving and innovating food and beverage offerings; and
- leveraging technology to increase efficiency through automation.
- applying an agile approach with continual financial and operations scenario planning to respond to changing COVID-19 government-mandated restrictions; and
- implementing and enhancing COVID-19 practices to provide a safe environment for employees and customers.

Industry developments and risk factors

The Group believes that there are certain current issues pertaining to the industry that have the capacity to impact the strategic plans and future direction of the hotel operations. The Group will continue to monitor developments in relation to the following issues:

- disruption to corporate and international inbound travel as a result of COVID-19;
- new hotel supply in key markets increasing competition for the Group's hotels in those markets;
- competition for the distribution of rooms from online travel agents; and
- growth and market penetration of alternative accommodation providers.

For personal use only

For personal use only

DIRECTORS' REPORT

THREDBO ALPINE RESORT

The key strategy for the Thredbo Alpine Resort is to grow by enhancing the on-mountain experience and increasing capacity (subject to COVID-19) restrictions, securing Thredbo Alpine Resort's position as one of the premier Australian holiday destinations. This strategy includes:

- continuing to ensure the popularity, high quality and ambience of the winter-time resort facility with continued upgrading of resort infrastructure;
- innovating with new experiences, products and associated pricing;
- continuing to improve snowmaking capability to mitigate risk in poor snow seasons;
- increasing the number and quality of events and year round attractions to increase visitation outside of the snow season, subject to COVID-19 constraints;
- expanding the mountain bike trail network to appeal to a broader range of riders;
- ensuring that the environmental integrity of the Resort is at least maintained and, where possible, improved.
- applying an agile approach with continual financial and operations scenario planning to respond to changing COVID-19 government-mandated restrictions; and
- implementing and enhancing COVID-19 practices to provide a safe environment for employees and customers.

Industry developments and risk factors

The Group believes that there are certain current issues pertaining to the industry that have the capacity to impact the strategic plans and future direction of Thredbo's operations. The Group will continue to monitor developments in relation to the following issues:

- COVID-19 related capacity and travel constraints;
- reliance on natural snowfall, which is partially mitigated by the Group's snowmaking capability;
- changes in operating expenses including employee expenses and energy costs; and
- short and long-term climate-related physical, regulatory and transition risks. Further information regarding the Group's response to climate change is available in section 5.8 of the 2020 Corporate Governance Statement.

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous year were:

	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit
Declared and paid during the year				
Final 2019 dividend	31	49,971	19 September 2019	30%
Interim 2020 dividend	21	33,851	19 March 2020	30%
		83,822		

All the dividends paid or declared by the Company since the end of the previous year were 100% franked.

To assist the Group's liquidity during the COVID-19 recovery period, no final dividend has been declared in respect of the year ended 30 June 2020, and the Group does not currently intend to pay a dividend for the half year ending 31 December 2020. Future dividend payments will be subject to Board consideration and approval having regard to all relevant circumstances including lender gearing requirements and the Group's trading performance.

REMUNERATION REPORT

The Remuneration Report, which forms part of the Directors' Report, is set out on pages 21 to 33 and has been audited as required by section 308(3C) of the Corporations Act 2001.

EVENTS SUBSEQUENT TO REPORTING DATE

On 3 July 2020, the Group's secured bank debt facilities were increased, amended and restated. The Group's debt facilities were increased from $545 million to $750 million. Details regarding the Group's secured bank debt facilities are as disclosed in Note 4.4.

On 21 July the Australian government announced the extension of the JobKeeper payment for a further six months until 28 March 2021 for those companies who continue to be significantly impacted by COVID-19. The New Zealand government has also announced Resurgence Wage Subsidy payments relating to the resurgence of COVID-19. The Group expects that relevant businesses in Australia and New Zealand will be eligible for the extension and resurgence arrangements.

On 2 August 2020, the Victorian government initiated COVID-19 Stage 4 restrictions within metropolitan Melbourne and, on 6 August 2020, COVID-19 Stage 3 for regional Victoria. The Queensland government has also announced the temporary reclosing of the Queensland border to residents of New South Wales and the Australian Capital Territory. On 12 August 2020, the New Zealand government reinstated COVID-19 Alert Level 3 for the Auckland region and the rest of New Zealand moved into COVID-19 Alert

Level 2. These actions have had an adverse impact on the Group's operations and revenues however the restructure and cost saving measures implemented pre COVID-19 are expected to withstand a prolonged COVID-19 impact and long recovery period and the above restrictions are considered to be temporary setbacks that will not significantly or materially impact its current COVID-19 forecast range.

On 21 August 2020, the Group announced that the FCO had provided an extension of time for the satisfaction of its conditions in relation to the sale of the Group's German cinema exhibition division, CineStar. The Transaction was conditionally approved by the FCO subject to the divestment of six sites to FCO approved purchasers within a six-month period. A sale has been completed in respect of one of these six sites and the FCO has provided an extension of time for satisfaction of its conditions in respect of the remaining five divestment sites until 13 November 2020 and a sales process is ongoing. Further details are disclosed in Note 2.4.

On 31 August 2020, the directors resolved that no final dividend be declared for the year ended 30 June 2020.

LIKELY DEVELOPMENTS

Likely developments in the operations of the Group are referred to in the Review of Operations by Division, set out within this report.

DIRECTORS' INTERESTS

The relevant interest of each director of the Company in share capital of the Company, as notified by the directors to the ASX in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares held directly	Ordinary shares held by companies in which a director has a beneficial interest[(a)]	Performance shares held directly	Performance rights held directly
AG Rydge	4,431,663	68,948,033	–	–
PR Coates	–	46,960	–	–
VA Davies	–	14,000	–	–
DC Grant	7,500	–	–	–
JM Hastings	12,000	–	–	297,331
PM Mann	–	7,000	–	–
RG Newton	–	66,000	–	–

(a) Relevant interest under the Corporations Act 2001 differs from the disclosure required under Australian Accounting Standards as presented in the Remuneration Report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's constitution provides an indemnity to each person, including AG Rydge, PR Coates, VA Davies, DC Grant, JM Hastings, PM Mann and RG Newton, who is or who has been a director or alternate director of the Company or of any related body corporate of the Company. The indemnity also extends to such other officers or former officers, including executive officers or former executive officers, of the Company and of any related body corporate of the Company as the directors of the Company determine.

In terms of the indemnity, the Company will indemnify the directors and other officers of the Company acting as such, to the full extent permitted by law, against any liability to another person (other than the Company or a related body corporate) incurred in acting as a director or officer of the Company, unless the liability arises out of conduct involving a lack of good faith. The indemnity includes any liability for costs and expenses incurred by such person in defending any proceedings, whether civil or criminal, in which judgement is given in that person's favour, or in which the person is acquitted and in making an application in relation to any proceedings in which the court grants relief to the person under the law.

The Company has provided directors' and officers' liability insurance policies that cover all the directors and officers of the Company and its controlled entities. The terms of the policies prohibit disclosure of details of the amount of the insurance cover, its nature and the premium paid.

OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDIT FIRM

Mrs PM Mann was previously a partner of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Group.

For personal use only

DIRECTORS' REPORT

AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on page 34 and forms part of the Directors' Report for the year ended 30 June 2020.

NON-AUDIT SERVICES PROVIDED BY KPMG

During the year, KPMG, the Group's auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 has been included in this Directors' Report.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 7.3 to the financial statements.

ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 as issued by the Australian Securities and Investments Commission ("ASIC"). In accordance with that Instrument, amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:

AG Rydge	**JM Hastings**
Director	Director

Dated at Sydney this 31st day of August 2020.

For personal use only

For personal use only

MESSAGE FROM THE CHAIRMAN REGARDING THE REMUNERATION REPORT

Dear Shareholder

On behalf of the Board, I am pleased to introduce the EVENT Hospitality & Entertainment Limited 2020 Remuneration Report.

Impact of COVID-19 on directors' fees and executive remuneration
As previously announced, the following adjustments have been made to director and executive remuneration for 12 months from 1 April 2020 to 31 March 2021 in response to the impact of COVID-19:

- the Group's CEO, Jane Hastings, has voluntarily reduced her pay by $200,000;
- I have agreed to waive my fee;
- the Lead Independent Director, Peter Coates, has agreed to a voluntary reduction of 50% and all other directors have agreed to a voluntary reduction of 20%;
- senior executives have agreed to voluntary reductions in their salaries of up to 12.5%;
- a wage freeze (for non-award roles) has been implemented; and
- there will be no cash payments under the Short Term Incentive ("STI") plan in respect of the year ending 30 June 2020, notwithstanding the achievement of certain individual key performance indicators by executives.

Incentive arrangements for the 2020-21 year
Whilst an STI plan has been retained for the 2020-21 year, a financial gateway has been implemented such that the settlement of any STI achievements is subject to the Board determining that such settlements are prudent and appropriate based on the circumstances at that time, and the Group has retained the discretion to settle amounts achieved in equity or cash. The Board will consider the financial gateway and, if applicable, the appropriate settlement method at the time the STI plan achievement is assessed in August 2021. The financial gateway and the ability to settle awards in equity will assist the Group in managing its cash flows during the COVID-19 recovery period.

The Group's Long Term Incentive ("LTI") plan, being the Executive Performance Rights Plan, has been retained for the 2020-21 year and shareholder approval will be sought at the forthcoming Annual General Meeting for an award under this plan to the CEO on a basis consistent with awards in prior years.

Proposed Recognition and Retention Incentive for the CEO
The Board has considered the remuneration forgone by the CEO in respect of the 2019-20 year, including the STI hurdles achieved but not paid, and the voluntary salary sacrifice by the CEO for the year commencing on 1 April 2020 and ending on 31 March 2021. The Board is also mindful of the awards under the Group's LTI plan in 2018, 2019 and 2020 that are unlikely to vest, including due to the impact of COVID-19.

In this context, the Board (Ms Hastings' abstaining) has resolved to seek shareholder approval for a one-off additional equity-based recognition and retention incentive for the CEO. The award has been designed to recognise the additional effort required from the CEO both during the COVID-19 response period and during the recovery period, and the importance of retaining the CEO during this critical period. The award will be delivered in equity and will remain restricted until at least three years from the grant date to further support the alignment of CEO remuneration and shareholder interests.

Further details of the award will be included in the Notice of Annual General Meeting for shareholder consideration and I look forward to sharing these details with you. Other executives are also eligible for one-off awards under the Recognition and Retention program.

The Remuneration Report provides further details regarding the above matters as well as important material on remuneration strategy, structure and outcomes. The Board commends the Remuneration Report to you.

AG Rydge
Chairman

REMUNERATION REPORT – AUDITED

This report outlines the remuneration arrangements in place for the Group's key management personnel ("KMP") as defined in AASB 124 *Related Party Disclosures* including non-executive directors, the CEO (who is also the Managing Director), and other senior executives who have authority for planning, directing and controlling the activities of the Group. The KMP for the financial year are set out on page 26.

Impact of COVID-19 on remuneration arrangements

COVID-19 has had, and continues to have, a material impact on the Group's operating divisions. In response, the following remuneration arrangement adjustments have been implemented for the 12 months commencing 1 April 2020 to 31 March 2021:

- the CEO has voluntarily reduced her fixed annual remuneration by $200,000;
- the Chairman has waived his fee entitlements;
- the lead independent director has voluntarily reduced his fee entitlements by 50% and all other directors have voluntarily reduced their fee entitlements by 20%;
- senior executives have agreed to voluntary reductions in their salaries of up to 12.5%;
- a wage freeze (for non-award roles) has been implemented; and
- there will be no cash payments under the short term incentive plan in respect of the year ended 30 June 2020, notwithstanding the achievement of certain individual key performance indicators by executives.

Remuneration philosophy

The Nomination and Remuneration Committee is responsible for making recommendations to the Board on remuneration policy and packages applicable to the Board members and senior executives. The objective of the remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, motivating and retaining people of the appropriate quality.

Remuneration levels are competitively set to attract appropriately qualified and experienced directors and executives. The Nomination and Remuneration Committee obtains independent advice on the level of remuneration packages. The remuneration packages of the CEO and other senior executives include at-risk components that are linked to the overall financial and operational performance of the Group and based on the achievement of specific goals of the Group. Executives participate in the Group's Executive Performance Rights Plan. The long term benefits of the Executive Performance Rights Plan are conditional upon the Group achieving certain performance criteria, details of which are outlined below.

Further details in relation to the Group's share plans are provided in Note 6.1 to the financial statements.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director remuneration is separate and distinct from senior executive remuneration.

Non-executive director remuneration

Objective

The Group's remuneration policy for non-executive directors aims to ensure that the Group can attract, retain and appropriately remunerate suitably skilled, experienced and committed individuals to serve on the Board and its committees.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 22 October 2010 when shareholders approved a maximum aggregate remuneration of $1,500,000 per year. Non-executive directors do not receive any performance related remuneration nor are they issued shares or performance rights.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned among directors are reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. A committee fee is also paid for being a member of the Audit and Risk Committee and the Nomination and Remuneration Committee. The payment of the committee fee recognises the additional time commitment required by directors who serve on those committees. Other Board committees may be established from time to time to deal with issues associated with the conduct of the Group's various activities, and directors serving on such committees may receive an additional fee in recognition of this additional commitment.

For personal use only

For personal use only

Non-executive director remuneration (continued)

Structure (continued)

As noted above, with effect from 1 April 2020, each director has volunteered a reduction in directors' fees for 12 months due to the impact of COVID-19 on the Group. The Board approved non-executive director fees (excluding voluntary reductions) did not change for the year ending 30 June 2021 and are as follows:

	2021 $	2020 $
Chairman (including committee fee entitlements)	335,000	335,000
Other non-executive directors		
Base fee entitlement	137,000	137,000
Audit and Risk Committee	14,000	14,000
Chairman – Audit and Risk Committee	13,000	13,000
Nomination and Remuneration Committee	7,000	7,000
Chairman – Nomination and Remuneration Committee	6,000	6,000

The remuneration of non-executive directors for the year ended 30 June 2020 is detailed on page 27.

Directors' fees cover all main Board activities. Non-executive directors are also entitled to be reimbursed for all reasonable business related expenses, including travel, as may be incurred in the discharge of their duties.

CEO and other executive remuneration

Objective

The Group's remuneration policy aims to reward the CEO and other executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, and to:

- reward executives for Group, applicable business unit and individual performance against targets set by reference to appropriate benchmarks and key performance indicators ("KPIs");
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and composition of executive remuneration, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages for senior executives, based on remuneration trends in the market, from which recommendations are made to the Board.

It is the Group's policy that employment contracts are entered into with the CEO and other senior executives. Details of these employment contracts are provided on pages 25 and 26.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component includes a short term incentive ("STI") plan and a long term incentive ("LTI") plan. The proportion of fixed and variable remuneration (potential STI and LTI) is set and approved for each senior executive by the Board based on recommendations provided by the Nomination and Remuneration Committee.

Fixed annual remuneration

Objective

Remuneration levels for executives are reviewed annually to ensure that they are appropriate for the responsibilities, qualifications and experience of each executive and are competitive with the market.

The Nomination and Remuneration Committee establishes and issues an appropriate guideline for the purpose of the annual review of fixed remuneration levels. The guideline is based on both current and forecast Consumer Price Index, remuneration trends on the market and general market conditions. There are no guaranteed fixed remuneration increases in any executives' contracts.

Structure

Executives have the option to receive their fixed annual remuneration in cash and a limited range of fringe benefits such as motor vehicles and car parking. Fixed annual remuneration includes superannuation and all fringe benefits, including fringe benefits tax.

For personal use only

Variable remuneration – STI

Objective

The objective of the STI plan is to link the achievement of key operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level to provide sufficient incentive to the executive to achieve the operational targets and ensuring that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments to each executive are determined based on the extent to which specific operating targets, set at the beginning of the year, are met. The targets consist of a number of KPIs covering both financial and non-financial measures of performance. Typically, KPIs and assessment criteria include predetermined growth in Group and divisional earnings over the prior year, and other strategic and operational objectives.

A work, health and safety gateway applies to the STI plan and executives will only be eligible for a payment under the plan if the requirements of the gateway have been satisfied. A financial gateway also applies to the STI plan with effect from 1 July 2020, whereby the Group's financial position at the time of assessment must be such that, in the Board's opinion, the delivery of STI awards is prudent and appropriate based on the circumstances at that time.

The Group has predetermined benchmarks which must be met in order to trigger payments under the STI. The benchmarks were chosen to directly align the executive's STI to the KPIs of the Group and to its strategies and performance.

On an annual basis, an earnings performance rating for the Group and each division is assessed by the Nomination and Remuneration Committee and approved by the Board. The individual performance of each executive is also assessed and rated and the ratings are taken into account when determining the amount, if any, of the STI to be allocated to each executive.

The aggregate of annual STI payments available for executives across the Group is subject to review by the Nomination and Remuneration Committee and approval by the Board. STI payments are delivered as a cash bonus.

For the CEO and other executive KMP, the general target bonus opportunity range is from 52.5% to 90% of fixed annual remuneration. The target bonus range for the CEO and other executive KMP is detailed below:

	Maximum STI calculated on fixed annual remuneration[a]	Allocated between:			
		Group earnings	Divisional earnings	Special projects	Other KPIs
CEO and Managing Director					
JM Hastings[b]	90%	50%	–	30%	10%
Other executive KMP					
GC Dean	52.5%	27.5%	–	–	25%
MR Duff	62.5%	27.5%	–	24.5%	10.5%

(a) Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements.

(b) The targets set for the STI of the CEO relate to the Group's performance, the management of current property developments and other business growth targets. The Board considers the specific targets to be commercially sensitive and accordingly further details of these targets have not been disclosed.

Bonuses may be paid above these levels at the discretion of the Nomination and Remuneration Committee and the Board, if it is assessed that an exceptional contribution has been made by an executive. There is no separate profit-share plan.

Variable remuneration – LTI

Objective

The objectives of the LTI plan are to:

- align executive incentives with shareholder interests;
- balance the short term with the long term Group focus; and
- retain high calibre executives by providing an attractive equity-based incentive that builds an ownership of the Group mindset.

Variable remuneration – LTI (continued)

Structure

Executives are awarded performance rights which will only vest on the achievement of certain performance hurdles and service conditions. An offer is made under the Executive Performance Rights Plan to executives each financial year and is based on individual performance as assessed by the annual appraisal process. If an executive does not sustain a consistent level of high performance, they will not be nominated for Executive Performance Rights Plan participation. The Nomination and Remuneration Committee reviews details of executives nominated for participation subject to final Board approval. In accordance with the ASX Listing Rules, approval from shareholders is obtained before participation in the Executive Performance Rights Plan commences for the CEO.

Only executives who are able to directly influence the long term success of the Group participate in the Executive Performance Rights Plan.

Each award of performance rights is divided into equal portions, with each portion being subject to a different performance hurdle. The performance hurdles are based on earnings per share ("EPS") growth and relative total shareholder return ("TSR") of EVENT Hospitality & Entertainment Limited as determined by the Board over a three-year period ("Performance Period"). The extent to which the performance hurdles have been met will be assessed by the Board at the expiry of the Performance Period.

Performance rights do not carry the right to vote or to receive dividends during the Performance Period.

The performance hurdles for the awards of performance rights to executives in the financial year ended 30 June 2020 are based on EVENT Hospitality & Entertainment Limited's EPS growth and relative TSR performance over the Performance Period of the three years to 30 June 2022, with EPS performance measured against the year ended 30 June 2019 (being the base year).

The performance hurdles for the awards of performance rights to executives in the financial year ended 30 June 2020 are as follows:

EPS hurdle

The EPS hurdle requires that the Group's EPS growth for the Performance Period must be greater than the target set by the Board. The EPS hurdle was chosen as it provides evidence of the Group's growth in earnings. The hurdle is as follows:

- if annual compound EPS growth over the Performance Period is less than 4%, no performance rights will vest with the executive;
- if annual compound EPS growth over the Performance Period is equal to or greater than 4% but less than 6%, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if annual compound EPS growth over the Performance Period is equal to or greater than 6%, all of the performance rights awarded (and attaching to this hurdle) will vest with the executive.

TSR hurdle

The TSR hurdle requires that the Group's relative TSR performance must be above the median of the Company's comparator group ("comparator group"). The comparator group is the S&P/ASX 200 (excluding trusts, infrastructure groups and mining companies). TSR is defined as share price growth and dividends paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured from the beginning to the end of the Performance Period.

The TSR performance hurdle was chosen as it is widely recognised as one of the best indicators of shareholder value creation. The comparator group for TSR purposes has been chosen as it represents the group with which the Group competes for shareholders' capital. The hurdle is as follows:

- if the Company's TSR ranking relative to the comparator group over the Performance Period is less than the 51st percentile, no performance rights will vest;
- if the Company's TSR ranking relative to the comparator group over the Performance Period is equal to or exceeds the 51st percentile but is less than the 75th percentile, the proportion of performance rights vesting will be increased on a pro-rata basis between 50% and 100%; or
- if the Company's TSR ranking relative to the comparator group over the Performance Period is equal to or greater than the 75th percentile, all of the performance rights awarded will vest.

After the Board has assessed the extent to which the above performance hurdles and criteria have been achieved, executives will be allocated ordinary shares equal to the number of vested performance rights held.

The Board has retained the discretion to vary the performance hurdles and criteria.

For personal use only

Group performance

To provide further context on the Group's performance and returns for shareholders, the following table outlines a five-year history of key financial metrics:

	2020	2019	2018	2017	2016
Net profit before individually significant items and income tax ($)[(a)]	70,765,000	158,524,000	183,214,000	160,937,000	177,914,000
Dividends per share (cents)	21	52	52	51	51
Share price at year end ($)[(b)]	8.41	12.50	13.39	13.37	14.53

(a) Refer to page 7 in the Directors' Report for a reconciliation to reported net profit for the year. The net profit above includes the result from discontinued operations.

(b) The share price at 30 June 2015 was $12.54.

Employment contracts for the CEO and other executive KMP

A summary of the key terms of Ms Hastings' employment contract is set out in the table below:

Contract term	Ongoing and there is no fixed term.
Fixed annual remuneration	Effective from 1 July 2020 (and unchanged from the prior year), a remuneration package to the value of $1,500,000 per annum, comprising base salary, superannuation and, if applicable, any fringe benefits. Due to the impact of COVID-19 on the Group, Ms Hastings has voluntarily reduced her fixed annual remuneration by $200,000 from 1 April 2020 until up to 31 March 2021.
Incentives	Ms Hastings is eligible to participate in the Group's incentive arrangements (including STI and LTI). Ms Hastings is eligible to receive an annual STI bonus payment with a maximum award of up to 90% of her fixed annual remuneration, subject to the achievement of performance criteria determined by the Board. Ms Hastings is also eligible to participate in the Group's LTI. The current LTI is the Executive Performance Rights Plan approved by shareholders at the 2013 Annual General Meeting. Subject to any required or appropriate shareholder approval, Ms Hastings' allocation of performance rights under the LTI will be determined based on a face value of 100% of the fixed annual remuneration.
Termination	Either party may terminate the agreement at any time by giving six months' notice. The Group may at its discretion make a payment in lieu of all or part of the notice period based on Ms Hastings' fixed annual remuneration at the time of the notice of termination. Ms Hastings may terminate immediately if there is a fundamental change in her responsibilities or authority without her consent. In that case, Ms Hastings is entitled to a payment equivalent to six months' fixed remuneration. The Group may terminate the agreement immediately in circumstances of misconduct, or if Ms Hastings breaches any material term of the agreement, in which case there is no payment in lieu of notice.
Restraint	The agreement contains non-solicitation and other restraints that apply for a restriction period of up to 12 months. Ms Hastings may receive a restraint payment for some or all of the restriction period, calculated based on her fixed annual remuneration at the termination date.

The CEO's contract provides for an annual review of the CEO's fixed annual remuneration and maximum incentive opportunities. Employment contracts typically outline the components of remuneration paid to the CEO and other senior executives but do not prescribe how remuneration levels are to be modified from year to year. Generally, remuneration levels are reviewed each year to take into account Consumer Price Index changes, remuneration trends in the market, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

For personal use only

Employment contracts for the CEO and other executive KMP (continued)
Termination provisions in the employment contracts with other executive KMP are summarised in the table below:

Executive	Termination by the executive	Termination by the Group	Expiry date of contract
GC Dean MR Duff	The notice period is one month.	The notice period is one month. The Group may make a payment in lieu of notice, equal to the notice period. The Group retains the right to terminate the contract immediately under certain conditions. There are no other termination payments. Payment of any LTI (or pro-rata thereof) is subject to the rules in operation at the termination date and at the discretion of the Board.	Not applicable, rolling contracts.

Use of remuneration consultants
No remuneration consultants were engaged during the year to provide remuneration recommendations as defined in section 9B of the Corporations Act 2001.

Key management personnel
The KMP for the financial year are set out in the table below:

Name	Position	Period of responsibility
Non-executive directors		
Alan Rydge	Chairman and non-executive director	1 July 2019 to 30 June 2020
Kenneth Chapman	Independent non-executive director	1 July 2019 to 27 August 2019
Peter Coates	Independent non-executive director and lead independent director	1 July 2019 to 30 June 2020
Valerie Davies	Independent non-executive director	1 July 2019 to 30 June 2020
David Grant	Independent non-executive director	1 July 2019 to 30 June 2020
Patria Mann	Independent non-executive director	1 July 2019 to 30 June 2020
Richard Newton	Independent non-executive director	1 July 2019 to 30 June 2020
Executive director		
Jane Hastings	CEO and Managing Director	1 July 2019 to 30 June 2020
Other executive KMP		
Gregory Dean	Director Finance and Accounting, Company Secretary	1 July 2019 to 30 June 2020
Mathew Duff	Director Commercial	1 July 2019 to 30 June 2020

All executive KMP are employed by Event Hospitality & Entertainment Limited.

For personal use only

Directors' and executives' remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and other KMP of the Group are set out below:

		Short term			Post-employment	Share-based	Other long term		Total	Proportion of remuneration performance related
		Fixed annual remuneration and fees $	STI bonuses[a] $	Insurance premiums[b] $	Superannuation contributions $	Performance rights[c] $	Accrued annual leave $	Accrued long service leave $	$	
DIRECTORS										
Non-executive										
AG Rydge	2020	235,498	–	–	15,752	–	–	–	251,250	–
	2019	307,469	–	–	20,531	–	–	–	328,000	–
KG Chapman[d]	2020	20,852	–	–	1,981	–	–	–	22,833	–
	2019	122,374	–	–	11,626	–	–	–	134,000	–
PR Coates	2020	111,948	–	–	10,635	–	–	–	122,583	–
	2019	122,374	–	–	11,626	–	–	–	134,000	–
VA Davies	2020	118,858	–	–	11,292	–	–	–	130,150	–
	2019	122,374	–	–	11,626	–	–	–	134,000	–
DC Grant	2020	150,198	–	–	14,269	–	–	–	164,467	–
	2019	157,991	–	–	15,009	–	–	–	173,000	–
PM Mann	2020	137,078	–	–	13,022	–	–	–	150,100	–
	2019	141,553	–	–	13,447	–	–	–	155,000	–
RG Newton	2020	118,858	–	–	11,292	–	–	–	130,150	–
	2019	122,374	–	–	11,626	–	–	–	134,000	–
Executive										
JM Hastings	2020	1,428,998	820,000	3,191	21,002	111,883	47,510	–	2,432,584	38.3%
	2019	1,429,469	1,040,000	3,068	20,531	478,667	(37,550)	–	2,934,185	51.8%

personal use only

Directors' and executives' remuneration (continued)

		Short term			Post-employment	Share-based	Other long term		Total	Proportion of remuneration performance related
		Fixed annual remuneration and fees $	STI bonuses[(a)] $	Insurance premiums[(b)] $	Superannuation contributions $	Performance rights[(c)] $	Accrued annual leave $	Accrued long service leave $	$	
OTHER EXECUTIVE KMP										
GC Dean	2020	625,245	271,275	7,670	21,002	(45,187)	17,120	12,991	910,116	24.8%
	2019	644,469	253,500	7,295	20,531	199,799	(11,616)	19,685	1,133,663	40.0%
MR Duff	2020	651,063	291,275	5,955	21,002	(44,625)	17,964	13,262	955,896	25.8%
	2019	644,469	309,050	5,582	20,531	199,799	7,213	25,004	1,211,648	42.0%

(a) STI bonuses included in remuneration for the year end 30 June 2020 represent the amounts that were paid in October 2019 based on achievement of certain specific goals and satisfaction of specified performance criteria for the year ended 30 June 2019. No STI bonuses for KMP are expected to be paid during the year ending 30 June 2021 in respect of performance for the year ended 30 June 2020 due to the impact of COVID-19 on the Group.

(b) Amounts disclosed above for remuneration of directors and other executive KMP exclude insurance premiums paid by the Group in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out within the Directors' Report on page 18. The amounts disclosed in the table above relate to premiums paid by the Group for salary continuance insurance.

(c) Amounts disclosed above for remuneration relating to performance rights have been determined in accordance with the requirements of AASB 2 *Share-based Payment*. AASB 2 requires the measurement of the fair value of performance rights at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. Details of performance shares and performance rights on issue are set out within the Remuneration Report and further details on the terms and conditions of these performance shares and performance rights are set out in Note 6.1 to the financial statements.

(d) KG Chapman resigned on 27 August 2019.

personal use only

Analysis of STI bonuses included in remuneration

As already noted, there will be no cash payments under the STI plan in respect of the year ended 30 June 2020, notwithstanding the achievement of certain individual key performance indicators by executives.

The bonus table below shows bonuses awarded during the year ended 30 June 2020, which relate to performance in the financial year ended 30 June 2019. These were awarded in October 2019. It only includes remuneration relating to the portion of the relevant periods that each individual was a KMP. Details of the vesting profile of the STI bonuses awarded as remuneration to the CEO and other executive KMP of the Group are shown below:

	Included in remuneration[(a)] $	Awarded in year	Forfeited[(b)]
CEO and Managing Director			
JM Hastings[(c)]	820,000	62.8%	37.2%
Other executive KMP			
GC Dean	271,275	81.6%	18.4%
MR Duff	291,275	87.6%	12.4%

(a) Amounts included in remuneration represent the amounts that were awarded during the year based on achievement of certain specific goals and satisfaction of specified performance criteria for the 30 June 2019 year. No amounts vest in future years in respect of the STI bonus schemes for the 2019 year.
(b) The amounts not awarded are due to the performance criteria not being met in relation to the assessment period and are forfeited.
(c) The amount awarded to the CEO reflects the Group's financial performance for the year ended 30 June 2019, business transformation initiatives, management of current property developments and other business growth targets. The Board considers the specific targets to be commercially sensitive and accordingly further details of these targets have not been disclosed.

STI achievement for the year ended 30 June 2019

STI awards paid to KMP during the year were based on achievement of specific goals and satisfaction of specified performance criteria for the 30 June 2019 year. Details of these goals and performance criteria are summarised below. All performance criteria set out below were applicable to the CEO. Goals and performance criteria for other executive KMP are appropriately aligned with those of the CEO where applicable to the role of each other executive KMP.

Category	Criteria	Achievement
Group financial objective	Normalised profit before tax targets determined by the Board	Not achieved Challenging earnings targets were not achieved despite exceptional performance in other areas.
Business transition and transformation	Develop strategy to commence transition and transformation of the Group	Achieved Business transformation initiatives approved by the Board including a comprehensive information technology roadmap and other investment in process automation.
Strategic planning	Develop a 3-5 year strategic plan approved by the Board addressing key business risks	Achieved The Board approved the Group's revised 3-5 year strategic plan in May 2019 which identified key growth opportunities over the period of the plan relating to revenue growth, maximising existing assets and business transformation.
Major property developments	Preparation and submission of development applications for the Group's major developments at 458-472 George Street and 525 George Street, Sydney	Achieved Substantial progress was made with development applications for these projects enabling them to be lodged in August 2019.

For personal use only

Category	Criteria	Achievement
Thredbo development plan	Deliver a Board-approved plan for development of the Thredbo Alpine Resort	Achieved The Board approved investment in the development of Thredbo Alpine Resort in December 2018 including the Merritt's Gondola, Dream Run snowmaking and a soft refurbishment of the Thredbo Alpine Hotel. These were subsequently completed on time and within budget.
Asset rationalisation	Identify and develop a strategy for under performing assets	Achieved A strategy was developed that included consideration of options for QT Port Douglas and Rydges Gladstone, which were sold during the year ended 30 June 2019.
Other strategic objectives	Achievement of strategic objectives including earnings classified as individually significant items arising from the development of Group assets.	Achieved Income was generated from asset rationalisation initiatives including in respect of QT Port Douglas and Rydges Gladstone.

The STI amounts awarded to JM Hastings, GC Dean and MR Duff also included a component reflecting the Board's assessment of their exceptional individual performance and contribution during the year ended 30 June 2019.

Recognition and Retention Incentive
On 20 August 2020, GC Dean and MR Duff were granted Retention and Recognition Awards with a value of $530,000 and $600,000, respectively. Sixty per cent of the awards will vest on 20 August 2021 and the remainder will vest on 20 August 2022, provided the executive does not give notice of their resignation and is not terminated for cause prior to the relevant vesting date. It is expected that on vesting the awards will be satisfied with a grant of rights with a face value equivalent to the value of the portion of the award that vests, with an exercise restriction applying until the release of the Group's full year results in 2023.

Other transactions with key management personnel and their related parties
AG Rydge is a director of Carlton Investments Limited. Carlton Investments Limited rents office space from a controlled entity. Rent is charged to Carlton Investments Limited at a market rate. Rent and office service charges received during the year were $21,675 (2019: $22,954). The Company previously held ordinary shares in Carlton Investments Limited, and continues to hold preference shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $5,312 (2019: $793,023), comprised of $nil (2019: $787,711) from ordinary shares and $5,312 (2019: $5,312) from preference shares.

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $117,287 (2019: $102,976). Rent is charged to AG Rydge at market rates.

Apart from the details disclosed in the Remuneration Report, no KMP has entered into a material contract with the Group since the end of the previous year and there were no material contracts involving directors' interests existing at the reporting date.

From time to time, KMP of the Group, or their related parties, may purchase goods or services from the Group. These purchases are usually on the same terms and conditions as those granted to other Group employees. Where the purchases are on terms and conditions more favourable than those granted to other Group employees, the resulting benefits form part of the total remuneration outlined within the Remuneration Report.

For personal use only

Executive Performance Rights Plan – current LTI plan

Analysis of LTI performance rights granted as remuneration

Details of the vesting profile of performance rights granted as remuneration to the CEO and other executive KMP are shown below:

						Fair value[a]	
	Number	Grant date	Vested during the year	Forfeited during the year	Year in which the grant vests	Performance right – EPS $	Performance right – TSR $
CEO and Managing Director							
JM Hastings	113,637	20 Feb 2020	–	–	30 Jun 2023	11.07	5.15
	88,957	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	82,737	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	30,303	16 Feb 2017	–	30,303	30 Jun 2020	11.09	3.92
Other executive KMP							
GC Dean	25,945	20 Feb 2020	–	–	30 Jun 2023	11.07	5.15
	22,665	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	25,855	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	20,538	16 Feb 2017	–	20,538	30 Jun 2020	11.09	3.92
MR Duff	26,448	20 Feb 2020	–	–	30 Jun 2023	11.07	5.15
	22,665	21 Feb 2019	–	–	30 Jun 2022	11.21	5.11
	25,855	15 Feb 2018	–	–	30 Jun 2021	11.82	6.80
	20,538	16 Feb 2017	–	20,538	30 Jun 2020	11.09	3.92

(a) The fair value of the performance rights calculated at grant date, estimated using a Binomial tree model for those rights that have EPS hurdles and a Monte Carlo simulation model for those rights that have TSR hurdles.

Analysis of movements in performance rights

The movement during the year, by value, of performance rights in the Company held by the CEO and other executive KMP is detailed below:

	Granted during the year[a] $	Exercised during the year $	Performance rights exercised Number	Amount paid per right exercised $
CEO and Managing Director				
JM Hastings	921,593	–	–	–
Other executive KMP				
GC Dean	210,411	–	–	–
MR Duff	214,493	–	–	–

(b) The value of performance rights granted in the year is the fair value of the performance rights calculated at grant date, estimated using a Binomial tree model for those rights that have EPS hurdles and a Monte Carlo simulation model for those rights that have TSR hurdles. The total value of the performance rights granted is included in the table above. This amount is allocated to remuneration over the vesting period.

No performance rights have been granted since the end of the year.

For personal use only

For personal use only

Performance rights holdings and transactions

The movement during the year in the number of performance rights in EVENT Hospitality & Entertainment Limited held by the CEO and other executive KMP is detailed below:

		Held at the beginning of the year	Granted	Exercised	Forfeited	Held at the end of the year
CEO and Managing Director						
JM Hastings	2020	201,997	113,637	–	(30,303)	285,331
	2019	113,040	88,957	–	–	201,997
Other executive KMP						
GC Dean	2020	69,058	25,945	–	(20,538)	74,465
	2019	66,148	22,665	(12,347)	(7,408)	69,058
MR Duff	2020	69,058	26,448	–	(20,538)	74,968
	2019	66,148	22,665	(12,347)	(7,408)	69,058

No performance rights have been granted since the end of the year. No performance rights are held by any related parties of KMP.

Executive Performance Share Plan – previous LTI plan

Performance shares exercised during the year

Details of performance shares in the Company exercised during the year by the CEO and other executive KMP are shown below:

	Exercised during the year[(a)] $	Performance shares exercised Number	Amount paid per performance share $
CEO and Managing Director			
JM Hastings	–	–	–
Other executive KMP			
GC Dean	–	–	–
MR Duff	280,150	22,489	–

(a) The value of performance shares exercised during the year is calculated as the five-day volume weighted average price of shares of the Company on the ASX as at the date that the performance shares were exercised.

Performance share holdings and transactions

The movement during the year in the number of performance shares in EVENT Hospitality & Entertainment Limited held by the CEO and other executive KMP is detailed below:

		Held at the beginning of the year	Granted	Exercised	Forfeited	Held at the end of the year
CEO and Managing Director						
JM Hastings	2020	–	–	–	–	–
	2019	–	–	–	–	–
Other executive KMP						
GC Dean	2020	–	–	–	–	–
	2019	–	–	–	–	–
MR Duff	2020	22,489	–	(22,489)	–	–
	2019	35,943	–	(13,454)	–	22,489

No performance shares have been granted since the end of the year. There were no performance shares held by the related parties of KMP.

Equity holdings and transactions

The movement during the year in the number of ordinary shares of EVENT Hospitality & Entertainment Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

		Held at the beginning of the year	Purchases	Received on release of performance shares or rights	Sales	Other[a]	Held at the end of the year
Directors							
AG Rydge (Chairman)	2020	73,396,103	–	–	–	–	73,396,103
	2019	73,396,103	–	–	–	–	73,396,103
KG Chapman	2020	57,500	–	–	–	(57,500)	–
	2019	57,500	–	–	–	–	57,500
PR Coates	2020	46,960	–	–	–	–	46,960
	2019	46,960	–	–	–	–	46,960
VA Davies	2020	14,000	–	–	–	–	14,000
	2019	14,000	–	–	–	–	14,000
DC Grant	2020	7,500	–	–	–	–	7,500
	2019	7,000	500	–	–	–	7,500
PM Mann	2020	7,142	–	–	–	–	7,142
	2019	6,142	1,000	–	–	–	7,142
RG Newton	2020	66,840	–	–	–	–	66,840
	2019	66,840	–	–	–	–	66,840
JM Hastings (CEO)	2020	6,000	6,000	–	–	–	12,000
	2019	–	6,000	–	–	–	6,000
Other KMP							
GC Dean	2020	158,222	–	–	–	–	158,222
	2019	145,875	–	12,347	–	–	158,222
MR Duff	2020	62,410	–	22,489	–	–	84,899
	2019	36,609	–	25,801	–	–	62,410

(a) KG Chapman resigned on 27 August 2019, and this movement represents the balance of ordinary shares held by Mr Chapman at that date.

Other than the arrangements disclosed above, no shares were granted to KMP as compensation in the year ended 30 June 2020. Performance rights were granted to certain KMP as disclosed on page 31.

End of Directors' Report: Remuneration Report – Audited

For personal use only

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Event Hospitality & Entertainment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Event Hospitality & Entertainment Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

Tracey Driver

Partner

Sydney

31 August 2020

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4.4	67,062	71,925
Trade and other receivables	3.1	49,439	53,605
Inventories	3.2	18,573	18,474
Prepayments and other current assets		7,717	10,840
Assets held for sale	2.4	455,837	144,665
Total current assets		598,628	299,509
Non-current assets			
Trade and other receivables	3.1	543	1,542
Other financial assets		1,086	1,086
Other investments	4.5	78	78
Investments accounted for using the equity method	5.3	15,999	11,113
Property, plant and equipment	3.3	1,252,837	1,276,309
Right-of-use assets	3.8	604,448	–
Investment properties	3.4	74,550	76,200
Goodwill and other intangible assets	3.5	92,829	93,324
Deferred tax assets	2.5	58,636	25,337
Other non-current assets		1,699	1,906
Total non-current assets		2,102,705	1,486,895
Total assets		2,701,333	1,786,404
LIABILITIES			
Current liabilities			
Trade and other payables	3.6	90,128	84,622
Loans and borrowings	4.4	488,300	–
Current tax liabilities		1,072	25,688
Provisions	3.7	17,362	20,335
Deferred revenue		78,474	55,648
Lease liabilities	3.8	86,322	–
Other current liabilities	3.9	4,429	4,119
Liabilities held for sale	2.4	320,601	50,289
Total current liabilities		1,086,688	240,701
Non-current liabilities			
Loans and borrowings	4.4	859	377,154
Deferred tax liabilities	2.5	9,094	11,988
Provisions	3.7	11,135	10,634
Deferred revenue		8,864	8,611
Lease liabilities	3.8	604,353	–
Other non-current liabilities	3.9	5,149	5,848
Total non-current liabilities		639,454	414,235
Total liabilities		1,726,142	654,936
Net assets		975,191	1,131,468
EQUITY			
Share capital	4.1	219,126	219,126
Reserves	4.3	72,914	73,945
Retained earnings		683,151	838,397
Total equity		975,191	1,131,468

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements on pages 40 to 107.

For personal use only

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Revenue and other income			
Revenue from sale of goods and rendering of services	2.1	719,039	967,476
Other revenue and income	2.1	65,027	41,833
		784,066	1,009,309
Expenses			
Employee expenses		(253,527)	(276,257)
Occupancy expenses		(80,038)	(161,392)
Film hire and other film expenses		(101,961)	(144,787)
Purchases and other direct expenses		(74,828)	(90,554)
Depreciation, amortisation and impairments		(194,624)	(70,118)
Other operating expenses		(70,978)	(76,118)
Advertising, commissions and marketing expenses		(25,349)	(31,678)
Finance costs		(29,883)	(9,882)
		(831,188)	(860,786)
Equity accounted (loss)/profit			
Share of net (loss)/profit of equity accounted associates and joint ventures	5.3	(863)	565
(Loss)/profit before tax		(47,985)	149,088
Income tax benefit/(expense)	2.5	11,985	(42,009)
(Loss)/profit after tax from continuing operations		(36,000)	107,079
Discontinued operations			
Profit after tax from discontinued operations	2.4	24,634	4,810
(Loss)/profit for the year		(11,366)	111,889

	Note	2020 Cents	2019 Cents
Earnings per share			
Basic earnings per share			
Continuing operations	2.6	(22.4)	66.6
Discontinued operations	2.6	15.3	3.0
Total		(7.1)	69.6
Diluted earnings per share			
Continuing operations	2.6	(22.4)	66.1
Discontinued operations	2.6	15.3	3.0
Total		(7.1)	69.1

The Income Statement is to be read in conjunction with the notes to the financial statements on pages 40 to 107.

For personal use only

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
(Loss)/profit for the year	(11,366)	111,889
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations – net of tax	691	8,598
Net change in fair value of investments designated as at fair value through other comprehensive income ("FVOCI") – net of tax	–	(2,155)
Net change in fair value of cash flow hedging instruments – net of tax	11	(19)
Other comprehensive income for the year – net of tax	702	6,424
Total comprehensive (expense)/income for the year	(10,664)	118,313

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 40 to 107.

For personal use only

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019	219,126	73,945	838,397	1,131,468
Adjustment on initial application of AASB 16 – net of tax	–	–	(60,058)	(60,058)
Restated balance at 1 July 2019	219,126	73,945	778,339	1,071,410
(Loss)/profit for the year	–	–	(11,366)	(11,366)
Other comprehensive income				
Foreign currency translation differences for foreign operations – net of tax	–	691	–	691
Net change in fair value of cash flow hedging instruments – net of tax	–	11	–	11
Total other comprehensive (expense)/income recognised directly in equity	–	702	–	702
Total comprehensive (expense)/income for the year	–	702	(11,366)	(10,664)
Employee share-based payments expense – net of tax	–	(1,733)	–	(1,733)
Dividends paid	–	–	(83,822)	(83,822)
Total transactions with owners	–	(1,733)	(83,822)	(85,555)
Balance at 30 June 2020	219,126	72,914	683,151	975,191
Balance at 1 July 2018	219,126	64,896	810,239	1,094,261
Profit for the year	–	–	111,889	111,889
Other comprehensive income				
Foreign currency translation differences for foreign operations – net of tax	–	8,598	–	8,598
Net change in fair value of investments designated as at fair value through other comprehensive income – net of tax	–	(2,155)	–	(2,155)
Net change in fair value of cash flow hedging instruments – net of tax	–	(19)	–	(19)
Total other comprehensive income recognised directly in equity	–	6,424	–	6,424
Total comprehensive income for the year	–	6,424	111,889	118,313
Employee share-based payments expense – net of tax	–	2,625	–	2,625
Dividends paid	–	–	(83,731)	(83,731)
Total transactions with owners	–	2,625	(83,731)	(81,106)
Balance at 30 June 2019	219,126	73,945	838,397	1,131,468

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 40 to 107.

For personal use only

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		1,094,162	1,373,787
Cash payments in the course of operations		(946,978)	(1,207,918)
Cash provided by operations		147,184	165,869
Dividends from joint ventures		858	2,340
Other revenue		87,175	55,192
Dividends received		5	805
Interest received		369	539
Finance costs paid		(32,770)	(10,461)
Income tax paid		(26,454)	(42,915)
Net cash provided by operating activities	7.2	176,367	171,369
Cash flows from investing activities			
Payments for property, plant and equipment and redevelopment of properties		(121,680)	(114,236)
Finance costs paid in relation to qualifying assets		(3,149)	(4,515)
Purchase of management and leasehold rights, software and other intangible assets		(7,405)	(5,117)
Payments for interest in joint venture		(6,104)	–
Decrease in loans from other entities		(495)	(144)
Proceeds from disposal of other non-current assets		14,011	34,464
Net cash used by investing activities		(124,822)	(89,548)
Cash flows from financing activities			
Proceeds from borrowings		181,803	106,000
Repayments of borrowings		(68,000)	(107,647)
Payments of lease liabilities		(99,332)	–
Dividends paid	4.2	(83,822)	(83,731)
Net cash used by financing activities		(69,351)	(85,378)
Net decrease in cash and cash equivalents		(17,806)	(3,557)
Cash and cash equivalents at the beginning of the year		93,761	95,564
Effect of exchange rate fluctuations on cash held		639	1,754
Cash and cash equivalents at the end of the year		76,594	93,761
Attributable to:			
Continuing operations		67,062	71,925
Discontinued operations	2.4	9,532	21,836
Cash and cash equivalents at the end of the year		76,594	93,761

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements on pages 40 to 107.

For personal use only

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

SECTION 1 – BASIS OF PREPARATION

This section explains the basis of preparation for the Group's financial statements, including information regarding the impact of the adoption of new accounting standards.

1.1 – REPORTING ENTITY

EVENT Hospitality & Entertainment Limited ("Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2020 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates, joint ventures and joint operations.

EVENT Hospitality & Entertainment Limited is a for-profit company incorporated in Australia and limited by shares. The shares are publicly traded on the ASX. The nature of the operations and principal activities of the Group are described in Note 2.2.

The financial report was authorised for issue by the Board of Directors of EVENT Hospitality & Entertainment Limited on 31 August 2020.

1.2 – BASIS OF PREPARATION

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Basis of measurement
The financial report is prepared on the historical cost basis except for the following material items in the Statement of Financial Position which are measured at fair value: derivative financial instruments, investments designated as at FVOCI, liabilities for cash-settled share-based payments and investment properties. Assets held for sale are stated at the lower of carrying amount, and fair value less costs to sell.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the Instrument, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgements
The preparation of a financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods if affected. Judgements made by management in the application of AASBs that have a significant effect on the financial report are discussed in Notes 3.3 (Property, plant and equipment) and 3.5 (Goodwill and other intangible assets).

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For personal use only

1.2 – BASIS OF PREPARATION (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Notes 3.3 (Property, plant and equipment), 3.4 (Investment properties) and 4.5 (Financial risk management).

Global coronavirus pandemic ("COVID-19")
During March 2020 the World Health Organisation declared a global pandemic in relation to COVID-19. Within the geographic locations where the Group has operations, governments responded to COVID-19 by introducing a number of COVID-19 measures, including restrictions on business activity and societal interaction. The effects of these measures on the Group has been significant and, as a result, COVID-19 has resulted in impacts to key estimates and judgements used in these financial statements, including:

- Impairment (see Note 2.3, Note 3.3 and Note 3.5);
- Provision for expected credit losses (see Note 3.1);
- Revaluations of investment properties (see Note 3.4); and
- Valuations of property plant and equipment (see Note 3.3).

Going concern basis of accounting
COVID-19 has had, and continues to have, a material impact on the Group's operational divisions, including:

- Government-mandated temporary closure of the Group's cinemas in Australia, New Zealand and Germany;
- Delay in, or full or partial cancellation of, the Hollywood film release schedule;
- Reduction in hotel visitation due to international and domestic travel restrictions and lock-downs;
- Implementation of social distancing and other visitation impacts for the Thredbo resort, as well as a delayed start to the winter season; and
- Reduction in rental income as a result of rental stress by tenants and relief provided in accordance with the Mandatory Code of Conduct.

The Group has incurred significant and material reductions in revenue and to maintain an appropriate level of current and future liquidity has implemented certain initiatives to ensure the viability of the Group for the current and longer term. The actions included:

- Implementation of operational and corporate cost saving initiatives to ensure that the impact of COVID-19 on earnings was appropriately minimised and managed. The cost saving initiatives included, but were not limited to, a stand down or furlough of employees across the Group, voluntary salary reductions and freeze arrangements and negotiated reductions or deferral of supplier and leasehold payments.
- Participation in government support initiatives, including JobKeeper in Australia, the Wage Subsidy in New Zealand and the Kurzarbeitergeld in Germany. In addition, government sanctioned deferrals of taxation related payments were accessed wherever possible and practicable.
- The Group's secured bank debt facilities were amended and restated on 3 July 2020 and increased to a total of $750 million (2020: $545 million) consisting of two tranches: $650 million, maturing on 3 July 2023, and $100 million, maturing on 3 January 2022. The current secured facilities included negotiated and agreed covenant waivers for the 31 December 2020 date, as well as an amended covenant testing regime for the 30 June 2021 testing date. Further information regarding the bank debt facilities have been provided within Note 4.4.
- Suspension of the final dividend for the year ended 30 June 2020 and the interim dividend for the half year ending 31 December 2020. Future dividend payments will be subject to Board consideration and approval having regard to all relevant circumstances including lender gearing requirements and the Group's trading performance.

For personal use only

SECTION 1 – BASIS OF PREPARATION

1.2 – BASIS OF PREPARATION (continued)

From a future financial and liquidity perspective, and in the context of the current challenging environment highlighted above, COVID-19 scenario modelling was undertaken across all of the Group's businesses. The scenario modelling included a number of anticipated outcomes based upon current circumstances. The range of scenarios included a number of variants including:

- a down-side scenario incorporating severe, yet still plausible, and much delayed recovery patterns;
- a mid-point or expected scenario; and
- an upside scenario incorporating a general recovery by April 2021.

In addition, versions of the above scenarios were extended with timing variants and assuming that the sale of its German cinema exhibition division ("CineStar") completes beyond June 2021 or does not complete. It was considered prudent and conservative to model an alternative completion outcome due to the ongoing COVID-19 impact within the German exhibition market. The consideration relating to the sale of CineStar is €187 million (A$305 million).

The current scenario modelling, which is based upon currently available information, assumes that there are no future material or significant government mandated mass closure of operations beyond that which has occurred or currently occurring at the date of this report. The Group's scenarios also did not include any significant sale of assets nor anticipate further government support initiatives beyond those currently in place and being accessed by the Group.

Whilst there continues to be uncertainty regarding the future COVID-19 impacts, the scenario modelling mid-point case was adopted by the Group as the current and most likely scenario. COVID-19 scenario modelling is subject to certain risks and uncertainties which may cause results to differ materially from those expected including, but not limited to, the following:

- the duration of the impacts of COVID-19 and related government restrictions and social distancing requirements and the level of customer demand following the relaxation of such requirements;
- the availability, in terms of both quantity and audience appeal, of the film line-up, as well as other industry dynamics such as the maintenance of a suitable and viable exhibition window;
- the effects of adverse economic conditions caused by COVID-19;
- the effects on occupancy and room rates caused by COVID-19 and the effects on occupancy and room rates of the relative industry supply of available rooms at comparable hotels in the market once hotels and resorts fully reopened;
- the effects of weather, particularly for Thredbo with winter conditions and the availability of snow; and
- the ability of partners (both from a supply and operational perspective) to continue to operate for the current foreseeable future.

The Group considers that, whilst COVID-19 will continue to create uncertainty for the short-term prospects for its operating businesses, the current outlook and successful completion of the refinancing process subsequent to 30 June 2020 provides sufficient liquidity for the foreseeable future. In addition, the Group anticipates it will be able to comply with future covenant requirements at future testing dates on and beyond 30 June 2021. On this basis, the financial report has been prepared on a going concern basis.

For personal use only

SECTION 1 – BASIS OF PREPARATION

1.3 – FOREIGN CURRENCY

Functional and presentation currency
All amounts are expressed in Australian dollars, which is the Group's presentation currency. 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 functional currency of the Company is Australian dollars.

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except for differences arising on retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture whilst retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations, and the effective portion of related hedges, are taken to the foreign currency translation reserve. They are released to profit or loss as an adjustment to profit or loss on disposal. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in other comprehensive income and presented in the foreign currency translation reserve in equity.

For personal use only

SECTION 1 – BASIS OF PREPARATION

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP

The Group has adopted AASB 16 Leases from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements. There are no other new or amended standards that are issued but not yet effective that are expected to have a material impact on the Group.

AASB 16 *Leases* ("AASB 16")
The Group has adopted AASB 16 with a date of initial application of 1 July 2019. As a result, the Group has changed its accounting policy for lease contracts. Details of this change in accounting policy are disclosed below.

In accordance with the transitional provisions in AASB 16, the new rules have been applied retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019. Comparatives for the prior year have not been restated.

AASB 16 requires the recognition of a right-of-use asset and lease liability for each operating lease, with certain limited exceptions. Fixed rental expense is generally no longer recognised in respect of operating leases. Instead, the right-of-use asset is depreciated over the lease term, whilst interest expense is incurred in respect of the lease liability.

AASB 16 allows entities to apply certain transitional provisions on initial adoption of the standard. The Group has determined to apply the modified retrospective transition approach to adoption of the standard and consequently the date of initial application was 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. For the Group's continuing operations, right-of-use assets were measured as if AASB 16 had always been applied, but using the incremental borrowing rate as at 1 July 2019. For the Group's discontinued operations, right-of-use assets were measured at an amount equal to the lease liability at 1 July 2019.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- applied the practical expedient to grandfather the assessment of which transactions are leases and applied AASB 16 only to contracts that were previously identified as leases;
- applied the exemption not to recognise right-of-use assets and lease liabilities for leases with less than 12 months to the end of the lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For personal use only

SECTION 1 – BASIS OF PREPARATION

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP (continued)

AASB 16 *Leases (continued)*
IFRIC Interpretations Committee Agenda Decision 4 (November 2019)
In November 2019, the IFRS Interpretations Committee issued a final agenda decision ("Agenda Decision") clarifying the determination of the lease term for cancellable or renewable leases under IFRS 16 *Leases* and whether the useful life of any non-removable leasehold improvements is limited to the lease term of the related lease. The Group has applied the Agenda Decision in these financial statements.

Summary of amounts recognised on transition to AASB 16
On transition to AASB 16, the Group has recognised an additional $639 million of right-of-use assets, $725 million of lease liabilities, $26 million in net deferred tax assets, and a $60 million reduction in retained earnings. When measuring lease liabilities, lease payments were discounted using the incremental borrowing rate at 1 July 2019. The weighted average rate applied was 3.3% per annum.

Continuing operations	**1 July 2019 $'000**
Operating lease commitments disclosed as at 30 June 2019 (excluding joint operations)	371,379
Operating lease commitments disclosed as at 30 June 2019 (in respect of joint operations)	232,152
	603,531
Discount using incremental borrowing rate at 1 July 2019	(115,217)
Extension and termination options reasonably certain to be exercised	237,232
Recognition exemption for short term leases and leases of low-value assets	(914)
Lease liability recognised at 1 July 2019	724,632

The following table summarises the impact, net of tax, of the transition to AASB 16 on retained earnings at 1 July 2019:

Impact of adopting AASB 16 at 1 July 2019	**$'000**
Retained earnings – 30 June 2019	838,397
Recognition of right-of-use assets (continuing operations)	638,835
Recognition of lease liabilities (continuing operations)	(724,632)
Net deferred tax asset recognised on adoption of AASB 16	25,739
Opening retained earnings – adjusted	778,339

For personal use only

SECTION 1 – BASIS OF PREPARATION

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP (continued)

AASB 16 ***Leases (continued)***

The following tables summarise the impact of adopting AASB 16 on the Group's statement of financial position as at 30 June 2020 and its income statement, statement of comprehensive income and statement of cash flows for the year then ended for each of the line items affected.

Impact on the consolidated statement of financial position

Consolidated statement of financial position As at 30 June 2020	**As reported $'000**	**Adjustments $'000**	**Amounts without adoption of AASB 16 $'000**
ASSETS			
Right-of-use assets	604,448	(604,448)	–
Deferred tax assets	58,636	(23,098)	35,538
Assets held for sale	455,837	(298,877)	156,960
Other assets	1,582,412	–	1,582,412
Total assets	2,701,333	(926,423)	1,774,910
LIABILITIES			
Lease liabilities – current	86,322	(86,322)	–
Lease liabilities – non-current	604,353	(604,353)	–
Deferred tax liabilities	9,094	2,770	11,864
Liabilities held for sale	320,601	(262,131)	58,470
Other liabilities	705,772	–	705,772
Total liabilities	1,726,142	(950,036)	776,106
Net assets	975,191	23,613	998,804
EQUITY			
Share capital	219,126	–	219,126
Reserves	72,914	43	72,957
Retained earnings	683,151	23,570	706,721
Total equity	975,191	23,613	998,804

For personal use only

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP (continued)

AASB 16 *Leases (continued)*

Impact on the consolidated income statement and consolidated statement of comprehensive income

Consolidated Income Statement For the year ended 30 June 2020	As reported $'000	Adjustments $'000	Amounts without adoption of AASB 16 $'000
Continuing operations			
Revenue and other income	784,066	–	784,066
Expenses			
Occupancy	(80,038)	(82,190)	(162,228)
Depreciation, amortisation and impairments	(194,624)	60,617	(134,007)
Finance costs	(29,883)	22,208	(7,675)
Other	(526,643)	–	(526,643)
	(831,188)	635	(830,553)
Equity accounted result			
Share of net loss of equity accounted investees	(863)	–	(863)
(Loss)/profit before income tax expense	(47,985)	635	(47,350)
Income tax benefit/(expense)	11,985	(192)	11,793
(Loss)/profit after tax from continuing operations	(36,000)	443	(35,557)
Discontinued operations			
Profit/(loss) after tax from discontinued operations	24,634	(36,931)	(12,297)
Loss for the year	(11,366)	(36,488)	(47,854)

Consolidated Statement of Comprehensive Income For the year ended 30 June 2020			
Loss for the year	(11,366)	(36,488)	(47,854)
Other comprehensive income for the year – net of tax	702	43	745
Total comprehensive expense for the year	(10,664)	(36,445)	(47,109)

For personal use only

SECTION 1 – BASIS OF PREPARATION

1.4 – NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP (continued)

AASB 16 *Leases (continued)*
Impact on the consolidated statement of cash flows

Consolidated Statement of Cash Flows For the year ended 30 June 2020	As reported $'000	Adjustments $'000	Amounts without adoption of AASB 16 $'000
Cash flows from operating activities			
Cash payments in the course of operations	(946,978)	(123,716)	(1,070,694)
Finance costs paid	(32,770)	24,384	(8,386)
Other cash flows from operating activities	1,156,115	–	1,156,115
Net cash provided by operating activities	176,367	(99,332)	77,035
Net cash used by investing activities	(124,822)	–	(124,822)
Cash flows from financing activities			
Payment of lease liabilities	(99,332)	99,332	–
Other cash flows from financing activities	29,981	–	29,981
Net cash (used)/provided by financing activities	(69,351)	99,332	29,981
Net decrease in cash and cash equivalents	(17,806)	–	(17,806)
Cash and cash equivalents at the beginning of the year	93,761	–	93,761
Effect of exchange rate fluctuations on cash held	639	–	639
Cash and cash equivalents at the end of the year	76,594	–	76,594
Attributable to:			
Continuing operations	67,062	–	67,062
Discontinued operations	9,532	–	9,532
Cash and cash equivalents at the end of the year	76,594	–	76,594

Further information regarding the Group's lease arrangements, including the disclosures required by AASB 16, are set out in Note 3.8.

For personal use only

SECTION 2 – PERFORMANCE FOR THE YEAR

This section focuses on the results and performance of the Group. On the following pages are disclosures explaining the Group's revenue, segment reporting, individually significant items, taxation and earnings per share.

2.1 – REVENUE

Revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contacts with customers, including significant payment terms and the related revenue recognition policies. The Group's revenue recognition accounting policies are summarised in the table below:

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Box office	Customers purchase a ticket to see a film and the customer obtains control of the service when they see the film. Tickets may be purchased by customers in advance or on the day of the film screening. Customers that are members of the Group's cinema loyalty program (Cinebuzz) earn points when purchasing tickets which can be used to purchase services from the Group in the future.	Box office ticket revenue is recognised on the date the customer views the relevant film. When tickets are sold in advance, the revenue is recorded as deferred revenue in the Statement of Financial Position until the date of the film screening. When gift cards and vouchers are sold to customers, the revenue is recognised as deferred revenue in the Statement of Financial Position until the customer uses the gift card or voucher to purchase goods or services from the Group. Revenue from gift cards and vouchers that will not be redeemed by customers ("breakage") is estimated and recognised as revenue based on historical patterns of redemption by customers. When customers earn loyalty points, box office revenue is allocated proportionally based on the relative stand-alone selling prices of the ticket and the loyalty points earned. The stand-alone selling price of the loyalty points is determined with reference to the average admission price and expected loyalty point breakage. Loyalty point revenue is recognised as deferred revenue in the Statement of Financial Position until the points are redeemed or expire. Breakage is estimated based on historical patterns of redemptions by customers. Commission and other direct expenses incurred in relation to the sale of gift cards are recognised as an asset until the gift cards are redeemed or expire.
Food and beverage	Customers obtain control of food and beverage at the point of sale.	Revenue is recognised at the point of sale.
Hotel rooms	Customers obtain control of the accommodation service when they occupy the room.	Revenue is recognised when the room is occupied.

For personal use only

2.1 – REVENUE (continued)

Revenue recognition policies (continued)

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Hotel management and service agreements	Customers, being hotel owners, obtain control of the management service as it is provided over the life of the management or service agreement.	Revenue is recognised as the fees are earned over the life of the contract. Contract acquisition costs are recognised over the life of the control as a reduction in revenue.
Thredbo lift tickets	Customers obtain control of the lift service on the day or other period when the lift ticket is valid for use.	Revenue is recognised as customers use the service. For season and other passes, revenue is recorded as deferred revenue in the Statement of Financial Position initially and is then recognised over the period that the pass is valid.
Thredbo ski school	Customers obtain control of the ski school service when the lesson is attended.	Revenue is recognised at the time of the lesson or other activity.

Details of the Group's revenue have been provided below:

	2020 $'000	2019 $'000
Revenue from contracts with customers (see below)	719,039	967,476
Other revenue		
Rental revenue	25,840	26,204
Finance revenue	258	527
Dividends	5	805
Government wage subsidies [(a)]	34,332	–
Sundry	1,408	867
	61,843	28,403
Other income		
Reversal of impairment charges booked in previous years	2,219	9,809
Insurance proceeds	–	1,601
Increase in fair value of investment properties	–	1,931
Profit on sale of property, plant and equipment	965	89
	3,184	13,430
	784,066	1,009,309

[(a)] Government wage subsidies include:

- JobKeeper, which is a temporary subsidy scheme implemented by the Australian Government to support businesses that have been impacted by COVID-19 and have experienced significant reductions in annual turnover. Certain Group companies resident in Australia have qualified for JobKeeper;
- Wage Subsidy, which is a temporary subsidy scheme implemented by the New Zealand government to support businesses that have experienced significant reductions in revenue during the COVID-19 period. Certain Group companies resident in New Zealand have qualified for the Wage Subsidy; and
- For discontinued operations refer to Note 2.4.

For personal use only

SECTION 2 – PERFORMANCE FOR THE YEAR

2.1 – REVENUE (continued)

Disaggregation of revenue from contracts with customers	Entertainment $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and other investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2020							
Major products/service lines							
Box office	227,091	–	–	–	227,091	139,067	366,158
Food and beverage	104,253	88,058	11,972	–	204,283	70,878	275,161
Hotel rooms	–	147,458	2,780	–	150,238	–	150,238
Management and service agreements	1,943	12,506	–	–	14,449	429	14,878
Thredbo lift tickets	–	–	39,120	–	39,120	–	39,120
Other revenue from contracts with customers	56,292	15,285	9,897	2,384	83,858	27,578	111,436
Revenue from contracts with customers	389,579	263,307	63,769	2,384	719,039	237,952	956,991
Rental revenue					25,840	4,606	30,446
Government wage subsidies					34,332	3,844	38,176
Finance revenue					258	111	369
Dividends					5	–	5
Sundry					1,862	342	2,204
Total revenue and other income before individually significant items					781,336	246,855	1,028,191
Individually significant items – other income					2,730	–	2,730
Total revenue and other income					784,066	246,855	1,030,921

personal use only

personal use only

2.1 – REVENUE (continued)

Disaggregation of revenue from contracts with customers	Entertainment $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and other investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2019							
Major products/service lines							
Box office	320,550	–	–	–	320,550	170,694	491,244
Food and beverage	145,398	117,245	14,432	–	277,075	85,778	362,853
Hotel rooms	–	196,750	3,181	–	199,931	–	199,931
Management and service agreements	2,317	17,278	–	–	19,595	432	20,027
Thredbo lift tickets	–	–	43,070	–	43,070	–	43,070
Other revenue from contracts with customers	72,610	19,916	12,202	2,527	107,255	33,067	140,322
Revenue from contracts with customers	540,875	351,189	72,885	2,527	967,476	289,971	1,257,447
Rental revenue					26,204	4,661	30,865
Finance revenue					527	12	539
Dividends					805	–	805
Increase in fair value of investment properties					1,931	–	1,931
Sundry					956	335	1,291
Total revenue and other income before individually significant items					997,899	294,979	1,292,878
Individually significant items – other income					11,410	–	11,410
Total revenue and other income					1,009,309	294,979	1,304,288

SECTION 2 – PERFORMANCE FOR THE YEAR

2.2 – SEGMENT REPORTING

Accounting policy

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses from transactions with other Group segments. All segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to a segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment, before individually significant items, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office assets, head office expenses, and income tax assets and liabilities.

Additions to non-current segment assets are the total cost incurred during the period to acquire assets that include amounts expected to be recovered over more than 12 months after the year end date. Amounts include property, plant and equipment, but exclude financial instruments and deferred tax assets.

Segment information is presented in respect of the Group's reporting segments. These are the Group's main strategic business segments and have differing risks and rewards associated with the business due to their different product or service and geographic markets. For each of these operating segments, the Group's CEO regularly reviews internal management reports.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to those of other businesses. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest bearing loans and borrowings and borrowing costs, interest income and corporate head office assets and expenses.

Operating segments

The Group comprises the following main operating segments:

Entertainment

Includes cinema exhibition operations in Australia and New Zealand, technology equipment supply and servicing, and the State Theatre.

Entertainment Germany (discontinued operation)

Includes the cinema exhibition operations in Germany. The Group entered into an agreement for the sale of this division on 22 October 2018 and as a result this segment has been presented as a discontinued operation. See Note 2.4 for further information.

Hotels and Resorts

Includes the ownership, operation and management of hotels in Australia and overseas.

Thredbo Alpine Resort

Includes all the operations of the resort including property development activities.

Property and Other Investments

Includes property rental, investment properties and investments designated as at FVOCI.

Geographical information

Also presented is information on the Group's split of revenue and non-current assets by geographic location. Geographic revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The Group operates in Australia, New Zealand and Germany.

For personal use only

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and other investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2020							
Revenue and other income							
External segment revenue	389,652	265,337	72,308	18,467	745,764	242,900	988,664
Other income – external	20,986	12,236	1,606	468	35,296	3,844	39,140
Finance revenue					258	111	369
Other unallocated revenue					18	–	18
Revenue and other income before individually significant items					781,336	246,855	1,028,191
Individually significant items					2,730	–	2,730
Revenue and other income					784,066	246,855	1,030,921
Result							
Segment result before individually significant items	(7,943)	32,717	20,949	6,372	52,095	(8,532)	43,563
Share of net (loss)/profit of equity accounted investees	(729)	(134)	–	–	(863)	116	(747)
Total segment result before individually significant items	(8,672)	32,583	20,949	6,372	51,232	(8,416)	42,816
Impact of application of AASB 16 *Leases*	74	(709)	–	–	(635)	52,759	52,124
	(8,598)	31,874	20,949	6,372	50,597	44,343	94,940
Unallocated revenue and expenses					(17,131)	–	(17,131)
Net finance costs					(7,417)	(712)	(8,129)
Individually significant items					(74,034)	1,085	(72,949)
(Loss)/profit before tax					(47,985)	44,716	(3,269)
Income tax benefit/(expense)					11,985	(20,082)	(8,097)
(Loss)/profit after tax					(36,000)	24,634	(11,366)
Amortisation and depreciation (net of right-of-use asset amortisation and impairment of assets)	(34,994)	(28,438)	(3,916)	(3,517)	(70,865)	–	(70,865)
Amortisation of right-of-use assets	(57,838)	(2,779)	–	–	(60,617)	–	(60,617)
Impairment of assets	(22,054)	(41,088)	–	–	(63,142)	–	(63,142)
Amortisation, depreciation and impairment of assets	(114,886)	(72,305)	(3,916)	(3,517)	(194,624)	–	(194,624)

personal use only

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and other investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2020							
Assets							
Reportable segment assets	370,027	725,595	72,511	341,387	1,509,520	154,660	1,664,180
Equity accounted investments	6,495	9,504	–	–	15,999	2,300	18,299
Right-of-use assets	554,221	50,227	–	–	604,448	298,877	903,325
	930,743	785,326	72,511	341,387	2,129,967	455,837	2,585,804
Deferred tax assets					58,636	–	58,636
Unallocated corporate assets					56,893	–	56,893
Total assets					2,245,496	455,837	2,701,333
Liabilities							
Reportable segment liabilities	111,830	37,541	34,101	–	183,472	56,506	239,978
Lease liabilities	636,550	54,125	–	–	690,675	246,388	937,063
Deferred tax liabilities					–	17,707	17,707
Unallocated corporate liabilities					531,394	–	531,394
Total liabilities					1,405,541	320,601	1,726,142
Acquisitions of non-current assets	68,899	27,383	28,036	3,336	127,654	4,573	132,227

Geographical information 2020	Australia $'000	New Zealand $'000	Germany $'000	Consolidated $'000
External segment revenue	637,971	107,793	242,900	988,664
Reportable segment assets	1,280,385	229,135	154,660	1,664,180
Right-of-use assets	477,416	127,032	298,877	903,325
Equity accounted investments	6,495	9,504	2,300	18,299
Acquisitions of non-current assets	85,186	42,468	4,573	132,227

personal use only

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and other investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2019							
Revenue and other income							
External segment revenue	541,008	353,377	81,820	18,310	994,515	294,967	1,289,482
Other income – external	–	91	9	2,725	2,825	–	2,825
Finance revenue					527	12	539
Other unallocated revenue					32	–	32
Revenue and other income before individually significant items					997,899	294,979	1,292,878
Individually significant items					11,410	–	11,410
Revenue and other income					1,009,309	294,979	1,304,288
Result							
Segment result before individually significant items	70,194	68,956	25,017	13,436	177,603	8,335	185,938
Share of net profit of equity accounted investees	19	546	–	–	565	1,128	1,693
Total segment result before individually significant items	70,213	69,502	25,017	13,436	178,168	9,463	187,631
Unallocated revenue and expenses					(19,223)	–	(19,223)
Net finance costs					(9,355)	(529)	(9,884)
Individually significant items					(502)	–	(502)
Profit before tax					149,088	8,934	158,022
Income tax expense					(42,009)	(4,124)	(46,133)
Profit after tax					107,079	4,810	111,889
Amortisation and depreciation (net of impairment of assets)	(34,825)	(28,441)	(3,906)	(2,946)	(70,118)	(2,203)	(72,321)
Impairment of assets	–	–	–	–	–	(953)	(953)
Amortisation, depreciation and impairment of assets	(34,825)	(28,441)	(3,906)	(2,946)	(70,118)	(3,156)	(73,274)

personal use only

2.2 – SEGMENT REPORTING (continued)

Operating segments	Entertainment $'000	Hotels and Resorts $'000	Thredbo Alpine Resort $'000	Property and other investments $'000	Continuing operations $'000	Discontinued operations $'000	Consolidated $'000
2019							
Assets							
Reportable segment assets	381,377	779,205	45,975	335,414	1,541,971	141,764	1,683,735
Equity accounted investments	7,224	3,889	–	–	11,113	2,830	13,943
	388,601	783,094	45,975	335,414	1,553,084	144,594	1,697,678
Deferred tax assets					25,337	71	25,408
Unallocated corporate assets					63,318	–	63,318
Total assets					1,641,739	144,665	1,786,404
Liabilities							
Reportable segment liabilities	113,033	46,712	25,448	–	185,193	50,289	235,482
Deferred tax liabilities					11,988	–	11,988
Unallocated corporate liabilities					407,466	–	407,466
Total liabilities					604,647	50,289	654,936
Acquisitions of non-current assets	62,016	36,295	6,942	4,405	109,658	11,699	121,357

Geographical information 2019	Australia $'000	New Zealand $'000	Germany $'000	Consolidated $'000
External segment revenue	850,084	144,431	294,967	1,289,482
Reportable segment assets	1,336,197	205,774	141,764	1,683,735
Equity accounted investments	7,224	3,889	2,830	13,943
Acquisitions of non-current assets	91,068	18,590	11,699	121,357

personal use only

SECTION 2 – PERFORMANCE FOR THE YEAR

2.3 – INDIVIDUALLY SIGNIFICANT ITEMS	2020 $'000	2019 $'000
Individually significant items comprised the following:		
Continuing operations		
Reversal of impairment charges booked in previous years	2,219	9,809
Impairment of assets	(56,910)	–
Write-off of redundant assets	(6,232)	–
Redundancies and restructure costs	(6,723)	(3,869)
Pre-opening costs	(592)	(3,473)
Legal and other costs associated with the sale of a business segment	(2,263)	(1,775)
Other expenses	(3,533)	(1,194)
Individually significant items expense before income tax	(74,034)	(502)
Income tax benefit	20,463	3,310
Individually significant items after income tax	(53,571)	2,808
Discontinued operations		
Individually significant items income before income tax	1,085	–
Income tax expense	(326)	–
Individually significant items income after income tax	759	–

2.4 – DISCONTINUED OPERATIONS

On 22 October 2018, the sale of the German Cinema operation to Vue International Bidco plc, subject to Federal Cartel Office ("FCO") approval, was announced. As a result, the Entertainment Germany result has been reported as a discontinued operation in the current and prior years. The sale consideration is €187 million (A$305 million). On 3 March 2020, the Group announced that the FCO had provided conditional clearance for the transaction subject to the divestment of six sites within a six-month period. On 21 August 2020 the Group announced that a sale of one of these six sites had been completed and that the FCO had provided an extension of time for satisfaction of its conditions in respect of the remaining five sites until 13 November 2020. The sales process for the remaining five sites is ongoing.

Profit attributable to discontinued operations was as follows:	2020 $'000	2019 $'000
Revenue and other income		
Revenue from sale of goods and rendering of services	237,952	289,971
Other revenue and income	8,903	5,008
Total revenue and other income [a]	246,855	294,979
Expenses		
Occupancy expenses	(53,220)	(117,920)
Film hire and other film expenses	(65,724)	(78,757)
Employee expenses	(56,878)	(58,841)
Purchases and other direct expenses	(13,451)	(16,465)
Depreciation, amortisation and impairments [b]	–	(3,156)
Other operating expenses	(5,902)	(6,259)
Advertising, commissions and marketing expenses	(4,081)	(5,234)
Finance costs	(2,999)	(541)
	(202,255)	(287,173)
Equity accounted profit		
Share of net profit of equity accounted investees	116	1,128
Profit before tax	44,716	8,934
Income tax expense	(20,082)	(4,124)
Profit after tax from discontinued operations [c]	24,634	4,810

For personal use only

2.4 – DISCONTINUED OPERATIONS (continued)

[a] Other income includes German government wage subsidies. Short-time pay or Kurzarbeitergeld is a subsidy scheme implemented by the German government to support businesses impacted by COVID-19 which have experienced significant reductions in revenue. Certain Group companies resident in Germany have qualified for the Short-time pay arrangements.

[b] In accordance with AASB 5, depreciation and amortisation ceased from 22 October 2018.

[c] The current year result from discontinued operations has been impacted by the adoption and implementation of AASB 16. The favourable adjustment totalled $36.9 million and further information is provided in Note 1.4.

	2020 $'000	2019 $'000
Cash flows from discontinued operations were as follows:		
Net cash provided by operating activities	30,513	13,929
Net cash used in investing activities	(4,574)	(11,388)
Net cash used in financing activities	(38,899)	(39,075)
Net cash flows for the period	(12,960)	(36,534)

Assets and liabilities of disposal group held for sale
At 30 June 2020, the disposal group was stated at its carrying amount, which is lower than the fair value less costs to sell, and comprised the following assets and liabilities:

	2020 $'000	2019 $'000
ASSETS		
Cash and cash equivalents	9,532	21,836
Trade and other receivables	10,528	12,428
Inventories	2,570	3,265
Prepayments and other current assets	1,051	1,157
Investments accounted for using the equity method	2,300	2,830
Property, plant and equipment	102,080	96,413
Right-of-use assets	298,877	–
Goodwill and other intangible assets	6,317	6,665
Other assets	22,582	–
Deferred tax assets	–	71
Total assets held for sale	455,837	144,665
LIABILITIES		
Trade and other payables	19,365	13,622
Loans and borrowings	1,766	2,055
Provisions	9,554	8,083
Deferred revenue	25,821	26,529
Lease liabilities	246,388	–
Deferred tax liabilities	17,707	–
Total liabilities held for sale	320,601	50,289
Net assets held for sale	135,236	94,376

For personal use only

2.5 – TAXATION

Accounting policy
Income tax expense in the Income Statement for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Company and its Australian wholly-owned subsidiaries are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. EVENT Hospitality & Entertainment Limited is the head entity within the tax consolidated group.

Deferred tax
Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. The following temporary differences are not provided for:

- taxable temporary differences on the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set off.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference.

The Group has unrecognised deferred tax assets in respect of certain foreign tax revenue losses as disclosed on page 62. The utilisation of the tax revenue losses is dependent upon the generation of sufficient future taxable profits within the applicable foreign tax entities and a deferred tax asset is only recognised to the extent that it is supported by sufficient forecast taxable profits. Assumptions regarding the generation of future taxable profits relevant to those foreign tax entities have been based upon management's budget estimates and forecasts. Management considers that the forecast of taxable profits for the applicable foreign tax entities is subject to risk and uncertainty; hence, the Group has not recognised all of the losses as a deferred tax asset.

For personal use only

For personal use only

2.5 – TAXATION (continued)	2020 $'000	2019 $'000
Income tax expense		
The major components of income tax expense are:		
Income tax recognised in profit or loss		
Income tax (benefit)/expense attributable to continuing operations	(11,985)	42,009
Income tax expense attributable to discontinued operations	20,082	4,124
	8,097	46,133
Current income tax		
Current income tax expense	579	65,042
Income tax overprovided in the prior year	(47)	(227)
Deferred income tax		
Relating to origination and reversal of temporary differences	7,565	(18,682)
Income tax expense reported in the Income Statement	8,097	46,133
Income tax credited directly in equity		
Deferred income tax related to items (credited)/charged directly in equity:		
Relating to other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	5	(5)
Unrealised gain on investments designated as at FVOCI	–	(866)
Currency translation movements of deferred tax balances of foreign operations	(156)	637
Net gain on hedge of net investment in overseas subsidiaries	(71)	(1,218)
AASB 15 adjustment to retained earnings	–	(247)
AASB 16 adjustment to retained earnings	(25,758)	–
Income tax benefit reported in equity	(25,980)	(1,699)
Reconciliation between income tax (credit)/expense and pre-tax profit		
A reconciliation between income tax (credit)/expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
(Loss)/profit before tax from continuing operations	(47,985)	149,088
Profit before tax from discontinued operations	44,716	8,934
Accounting (loss)/profit before income tax expense	(3,269)	158,022
Prima facie income tax (credit)/expense calculated at the Group's statutory income tax rate of 30% (2019: 30%) on accounting (loss)/profit	(981)	47,406
Increase in income tax expense due to:		
Impairment write-down of land and non-depreciable buildings	3,583	–
Non-deductible items and losses in non-resident controlled entities	8,546	3,259
Amortisation of management rights and other intangible assets	941	725
Depreciation and amortisation of buildings	255	475
Non-deductible sale and legal costs	606	700
Share of incorporated joint venture net loss	60	–
Other	810	–
	14,801	5,159
Decrease in income tax expense due to:		
Impairment write-back of land and non-depreciable buildings	–	921
Share of incorporated joint venture net profit	–	672
Tax losses now recognised	2,503	553
Loss on disposal of non-depreciable properties	3,173	2,696
Franking credits on dividends received	–	983
Other	–	380
	5,676	6,205
Income tax overprovided in the prior year	(47)	(227)
	8,097	46,133

2.5 – TAXATION (continued)	2020 $'000	2019 $'000
Unrecognised deferred tax assets		
Revenue losses – foreign	7,696	3,289
	7,696	3,289

Included in the deferred tax assets not recognised is the gross value of tax revenue losses arising in Germany of $25,654,000 (2019: $10,965,000). The availability of these tax losses is subject to certain utilisation limits and ongoing availability tests under German tax law. At 30 June 2020, there was no recognised deferred income tax liability (2019: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or incorporated joint ventures.

Deferred tax liabilities and assets	Statement of Financial Position		Income Statement	
Deferred tax liabilities	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax liabilities comprise:				
Right-of-use assets	270,544	–	1,040	–
Property, plant and equipment and intangible assets	38,714	37,346	1,621	3,799
Investment properties	11,284	11,559	(275)	805
Investments designated as at FVOCI	8	8	–	(3,886)
Share of joint arrangement timing differences	1,549	61	1,488	19
Capitalised/deferred costs	5,618	5,060	556	(178)
Accrued revenue	7,265	4,440	2,779	2,980
Unrealised foreign exchange gains	8	358	(355)	355
Sundry items	1,306	967	342	326
	336,296	59,799		
Less: offsetting deferred tax assets	(309,495)	(47,811)		
Less: amount transferred to assets held for sale	(17,707)	–		
	9,094	11,988		
Deferred tax assets				
Deferred tax assets comprise:				
Lease liabilities	280,666	–	14,597	–
Property, plant and equipment and intangible assets	9,162	2,755	(6,363)	3,381
Share of joint arrangement timing differences	12,271	11,621	(650)	(842)
Provisions and accrued employee benefits	10,625	9,304	(1,324)	2,043
Deferred revenue	10,263	8,956	(1,313)	(1,590)
Accrued expenses	1,960	1,185	(776)	(4)
Share-based payments	1,120	1,932	812	737
Capital losses offsetting unrealised capital gains	3,149	–	(3,149)	286
Tax losses	9,529	6,091	(3,554)	(1,083)
Unrealised foreign exchange losses	3,892	4,112	297	(35)
Deferred tax recognised on sale of a business segment	23,839	25,371	1,532	(25,371)
Sundry items	1,655	1,892	260	(424)
	368,131	73,219		
Less: offsetting deferred tax liabilities	(309,495)	(47,811)		
Less: amount transferred to assets held for sale	–	(71)		
	58,636	25,337		
Deferred tax expense/(benefit)			7,565	(18,682)

For personal use only

2.6 – EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the (loss)/profit attributable to members of the Company by the weighted average number of ordinary shares of the Company.

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2020 $'000	2019 $'000
(Loss)/profit attributable to ordinary shareholders (basic and diluted)	(11,366)	111,889
	Number	**Number**
Weighted average number of ordinary shares (basic)	161,062,083	160,780,620
Effect of performance shares and performance rights	857,639	1,203,039
Weighted average number of ordinary shares (diluted)	161,919,722	161,983,659

Further details in relation to the Executive Performance Rights Plan and Executive Performance Share Plan are provided in Note 6.1.

For personal use only

SECTION 3 – OPERATING ASSETS AND LIABILITIES

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in Note 2.5.

On the following pages, there are sections covering working capital balances, property, plant and equipment, investment properties, intangible assets and provisions.

3.1 – TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value, and subsequently at the amounts considered recoverable (amortised cost). Where the payment terms for the sale of an asset are deferred, the receivable is discounted using the prevailing rate for a similar instrument of an issuer with similar credit terms. The unwinding of the discount is treated as finance revenue.

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms. The Group's exposure to credit and foreign exchange risks related to trade and other receivables is disclosed in Note 4.5.

Estimates are used in determining the level of receivables that will not be collected, and these estimates take into account factors such as historical experience. Allowances are made for impairment losses when there is sufficient evidence that the Group will not be able to collect all amounts due. These allowances are made until such time that the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount considered irrecoverable is written off against the asset directly. The carrying value of trade and other receivables is considered to approximate fair value. Receivables are stated with the amount of goods and services tax ("GST") or equivalent tax included.

	2020 $'000	2019 $'000
Current		
Trade receivables	10,124	19,163
Less: allowance for trade receivables	(2,278)	(370)
	7,846	18,793
Other receivables	41,593	34,812
	49,439	53,605
Non-current		
Other receivables	500	1,500
Receivable from associates	43	42
	543	1,542

As at 30 June 2020, trade receivables with a value of $2,278,000 (2019: $370,000) were impaired and fully provided for.

The movement in the allowance for trade receivables has been included in other expenses within the income statement. The Group has assessed its expected potential credit losses on an individual trade receivable basis and, due to a lack of useful historical data on which to base the COVID-19 related receivables impairment analysis, the Group has applied judgement using management experience and customer interactions. In addition, the assessment considered the *National Cabinet Mandatory Code of Conduct – SME Commercial Leasing Principles during COVID-19* which imposes a set of good faith leasing principles for application to commercial tenancies (including retail, office and industrial) between landlords and tenants, where the tenant is an eligible business for the purpose of the JobKeeper programme.

As at 30 June 2020, trade receivables for the Group that were past due but not impaired were $1,990,000 (2019: $6,545,000), of which $551,000 (2019: $5,049,000) was less than 30 days overdue. The remainder is not considered material and consequently an ageing analysis has not been provided.

Current other receivables of $41,593,000 (2019: $34,812,000) do not contain impaired assets and are not past due. Based on the credit history of these other receivables, it is expected that these amounts will be recovered when due.

For personal use only

3.2 – INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Work in progress is valued at cost. Cost is based on the first-in-first-out principle and includes expenditure incurred in bringing inventories to their existing condition and location.

3.3 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment
Property, plant and equipment are the physical assets used by the Group to generate revenue and profit. These assets include land and buildings, and plant and equipment. Property, plant and equipment are recognised at cost (which is the amount initially paid for them) less accumulated depreciation (the estimate of annual wear and tear) and impairment losses.

The Group leases properties in the normal course of business, principally to conduct its cinema exhibition businesses. On inception of a lease, the estimated cost of decommissioning any additions to these properties (known as leasehold improvements) is included within property, plant and equipment and depreciated over the lease term. A corresponding provision is set up as disclosed in Note 3.7.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for separately.

Depreciation is charged to the Income Statement on a straight-line basis over the asset’s estimated useful life. The major categories of property, plant and equipment are depreciated as follows:

• plant and equipment	3 – 20 years
• buildings and improvements subject to long term leases	Shorter of estimated useful life and term of lease
• freehold buildings	40 – 80 years
• resort apartments and share of common property	40 – 80 years.

Freehold land and land subject to long term leases are not depreciated. Similarly, assets under construction (classified as capital work in progress) are not depreciated until they come into use, when they are transferred to buildings or plant and equipment as appropriate.

Impairment of property, plant and equipment
Property, plant and equipment that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance.

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss in the Income Statement whenever the carrying amount of those assets exceeds the recoverable amount.

Impairment testing of property, plant and equipment is performed at an individual hotel or cinema site level, with the exception of cinema sites within a single geographic location, which are tested as one cash-generating unit. Thredbo is also considered to be, and has been tested as, one cash-generating unit. Details regarding impairment testing performed at 30 June 2020 are set out below.

For personal use only

SECTION 3 – OPERATING ASSETS AND LIABILITIES

3.3 – PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings $'000	Land subject to long term leases $'000	Buildings and improvements subject to long term leases $'000	Resort apartments and share of common property $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
2020							
Gross balance at the beginning of the year	906,887	1,348	343,400	930	746,700	52,656	2,051,921
Accumulated depreciation, amortisation and impairments at the beginning of the year	(127,597)	–	(152,960)	(78)	(494,977)	–	(775,612)
Net balance at the beginning of the year	779,290	1,348	190,440	852	251,723	52,656	1,276,309
Additions	2,994	–	22,068	–	10,204	85,002	120,268
Transfers	4,517	–	4,352	–	23,256	(33,229)	(1,104)
Disposals	(10,997)	–	(39)	–	(3,170)	–	(14,206)
Depreciation and amortisation	(9,630)	–	(12,845)	(13)	(43,746)	–	(66,234)
Impairment	(34,063)	–	(6,116)	–	(20,338)	–	(60,517)
Impairment write-back	1,996	–	–	–	223	–	2,219
Effect of movement in foreign exchange	(1,175)	(24)	(926)	–	(956)	(817)	(3,898)
At 30 June 2020	732,932	1,324	196,934	839	217,196	103,612	1,252,837
Gross balance at the end of the year	891,615	1,324	363,813	930	754,699	103,612	2,115,993
Accumulated depreciation, amortisation and impairments at the end of the year	(158,683)	–	(166,879)	(91)	(537,503)	–	(863,156)
Net balance at the end of the year	732,932	1,324	196,934	839	217,196	103,612	1,252,837
2019							
Gross balance at the beginning of the year	893,547	1,305	376,775	34,055	787,421	148,666	2,241,769
Accumulated depreciation, amortisation and impairments at the beginning of the year	(130,416)	–	(220,702)	(26,303)	(542,431)	–	(919,852)
Net balance at the beginning of the year	763,131	1,305	156,073	7,752	244,990	148,666	1,321,917
Additions	408	–	11,846	–	23,288	82,940	118,482
Transfers	74,130	–	53,488	(2,187)	53,118	(179,225)	(676)
Disposals	(340)	–	(87)	(13,340)	(3,267)	–	(17,034)
Depreciation and amortisation	(10,082)	–	(12,957)	(109)	(44,269)	–	(67,417)
Impairment	–	–	(885)	8,736	1,005	–	8,856
Effect of movement in foreign exchange	3,471	43	2,063	–	2,344	673	8,594
Transfer to assets held for sale	(51,428)	–	(19,101)	–	(25,486)	(398)	(96,413)
At 30 June 2019	779,290	1,348	190,440	852	251,723	52,656	1,276,309
Gross balance at the end of the year	906,887	1,348	343,400	930	746,700	52,656	2,051,921
Accumulated depreciation, amortisation and impairments at the end of the year	(127,597)	–	(152,960)	(78)	(494,977)	–	(775,612)
Net balance at the end of the year	779,290	1,348	190,440	852	251,723	52,656	1,276,309

personal use only

3.3 – PROPERTY, PLANT AND EQUIPMENT (continued)

Independent valuations of interest in land and buildings
In assessing current values for the Group's interest in land and buildings and integral plant and equipment, including long term leasehold land and improvements, the directors have relied in most cases upon independent valuations from registered qualified valuers or management value in use calculations. Except for investment properties, which are revalued every half year (refer to Note 3.4), valuations are generally carried out on a progressive three-year cycle. The last valuations were completed as at June 2020, June 2019 and June 2018.

The independent valuations relating to the Group's property portfolio includes a majority of independent valuations that were undertaken before the impact of COVID-19. As a result, the assumptions regarding the reasonably possible impacts of COVID-19 have not been included within the pre COVID-19 valuations. Under the circumstances, the property valuations disclosed below should be considered on the basis that there may be 'material valuation uncertainty', and therefore less certainty should be attached to the independent valuations than would normally be the case.

Measurement of fair values
Amounts disclosed below represent the fair value of the Group's interest in land and buildings, excluding investment properties, as determined at the time of the most recent independent valuation report. Independent registered qualified valuers are engaged to perform the valuations. The values are determined based on the highest and best use of each property. In most cases, the existing use is the highest and best use and values are determined on a going concern basis. For certain properties, the highest and best use may differ from the current use, and consideration may be given to the development of such properties at an appropriate time in the future in order to realise the full value of the property.

COVID-19 has created unprecedented economic uncertainty and the impact of COVID-19 and the effects on the broader economy and property markets is still unknown and, as such, the majority of valuations provided below are typically those that would be adopted in more normalised market conditions.

The fair value disclosure has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used. Going concern value is based on capitalisation and discounted cash flow methodologies, and significant unobservable inputs include the forecast net income for each property, and the capitalisation and discount rates used in determining fair value. In the most recent valuations for June 2020, June 2019 and June 2018, capitalisation rates utilised ranged from 4.75% to 12.25% and pre-tax discount rates utilised ranged from 6.5% to 13.75% per annum. For certain sites where the going concern value was not the highest and best use, fair value was determined using a direct comparison methodology with reference to recent sales of similar properties.

The fair values determined by the independent registered qualified valuers are sensitive to changes in these significant unobservable inputs. However, overall the fair value of the Group's interest in land and buildings, excluding investment properties, is significantly higher than the book value of these interests as noted below.

Most recent valuations of interest in land and buildings, excluding investment properties		**2020 $'000**	**2019 $'000**
A summary of recent independent valuations, by year of the last valuation, is set out as follows:			
Existing use is highest and best use			
Independent valuation	– 2020	138,700	–
	– 2019	214,000	214,000
	– 2018	1,267,403	1,363,582
		1,620,103	1,577,582
Alternate use is highest and best use			
Independent valuation	– 2018	101,969	102,296
Land and buildings not independently valued			
Book value of land and buildings not independently valued		181,162	267,766
		1,903,234	1,947,644

For personal use only

3.3 – PROPERTY, PLANT AND EQUIPMENT (continued)

The book value of the above interests at 30 June 2020 was $1,042,538,000 (2019: $1,073,567,000). The written-down book value of plant and equipment which is deemed integral to land and buildings, has been determined to total approximately $156,426,000 as at 30 June 2020 (2019: $163,662,000). The above valuations do not take into account the potential impact of capital gains tax.

Impairment considerations at 30 June 2020

Hotels

Hotel properties are treated as separate cash-generating units. As a result of COVID-19, assessing fair value as at the reporting date involved considerable uncertainty around the Group's underlying assumptions and inputs to fair value given the forward looking nature of these assumptions. To reduce uncertainty, the Group applied a conservative impairment approach by initially estimating the fair value of each hotel cash generating unit by referencing, and applying a discount, to the existing (pre COVID-19) valuations. Where further analysis and assessment was required, the Group obtained independent valuations as at 30 June 2020 from suitably qualified external valuers.

The impairment review process at 30 June 2020 included the following:

- for those independent valuations that were issued pre COVID-19 an internal review of the valuation parameters was undertaken and a discount range of -10% to -25% was applied to the existing valuation (the "Amended Valuation");
- the Amended Valuation was compared to the relevant carrying value of each hotel cash generating unit and, where the carrying value was in excess of the Amended Valuation, an external independent valuation as at 30 June 2020 was obtained for each applicable hotel cash generating unit; and
- where the carrying value of the hotel cash generating unit was in excess of the independent valuation as at 30 June 2020 the hotel cash generating unit was impaired by the amount equal to the difference between the carrying value and independent valuation.

The key parameters used within the Discounted Cash Flow model of the independent valuations obtained as at 30 June 2020 include: discount rates (before capital expenditure and debt service) of 8.00% to 9.25%; reversionary (terminal) capitalisation rates of 5.75% to 7.25%; and forecast average annual inflation rates of 1.23% to 1.32%.

As a result of the above impairment review process, impairment losses of $34,150,000 (2019: $nil) were recognised in respect of three hotel properties. The properties that were subject to an impairment charge are located in Perth (Western Australia), Cairns (Queensland) and Gold Coast (Queensland).

In addition to the above, an impairment loss was recognised totalling $6,232,000 relating to the write-down of assets at the hotel property known as Rydges Queenstown (New Zealand). A section of the hotel had been assessed with a below standard seismic rating and, whilst the New Zealand government allows a 15-year remediation period, the Group has determined to close that section of the hotel. The impairment loss recognised represents the current carrying value of the assets relating to the closed section of the hotel.

For hotels that had been subject to impairments in previous years, the trading performance and recoverable amount were also reviewed during the year. As a result of the review, impairment charges of $2,219,000 (2019: $9,809,000) were reversed in respect of impairments booked in previous years.

Entertainment

Cinema sites are treated as separate cash-generating units, with the exception of cinema sites within a single geographic location, which are tested as one cash-generating unit. The pre COVID-19 trading performance of certain cinema sites and cash-generating units caused the Group to assess their recoverable amounts at 30 June 2020. In addition, and as a direct result of COVID-19, impairment review parameters were amended to increase the impairment focus on cinema sites and cash-generating units.

For personal use only

3.3 – PROPERTY, PLANT AND EQUIPMENT (continued)

The impairment review process at 30 June 2020 included the following:

- the normalised annual earnings for each cinema or cinema cash-generating unit were reviewed by management to determine the existence, if any, of any underlying current or expected future market or other conditions that could potentially adversely impact future performance and earnings for the site or cash-generating unit. If an adverse condition was in existence, the site or cash-generating unit was subject to further impairment testing; and
- where no adverse conditions were considered to be present, the normalised earnings before interest, tax, amortisation and depreciation ("EBITDA") was multiplied by a factor of five and the result was used as a conservative proxy for market valuation purposes. For those sites where the EBITDA multiple was below the relevant carrying value the site or cash-generating unit was subject to further impairment testing.

Where a site or cash generating unit utilises a component of freehold property which is owned by the Group, the impairment assessment also incorporated the pre COVID-19 valuation of the freehold property, with a discount range of -10% to -25% applied to the existing pre COVID-19 independent valuation.

To assess the value in use for impairment testing purposes:

- estimated future cash flows were discounted to their present value using an appropriate pre-tax discount rate, derived from the Group's post-tax weighted average cost of capital of 8.70% to 9.50%;
- cash flow forecasts were based primarily on pre COVID-19 budgets or business plans presented to the Event Board which were then adjusted for COVID-19 and anticipated post COVID-19 impact; and
- forecast growth rates (inclusive of an average annual inflation rate) of between 2.0% to 2.5%.

As a result of the above impairment review process, impairment losses totalling $20,135,000 (2019: $nil) were recorded in respect of 9 cinema cinemas or cash-generating units. The sites that that were subject to an impairment charge are located in Darwin (Northern Territory), Cairns (Queensland), Sunshine Coast (Queensland), Townville (Queensland), Adelaide (South Australia), Tauranga (New Zealand) and three sites in Melbourne (Victoria).

Thredbo

The operations at Thredbo are treated as one cash-generating unit. The trading performance of Thredbo during the year ended 30 June 2020 was adversely impacted by the bushfires that occurred in December 2019 and January 2020 and subsequent closure of the Kosciuszko National Park, as well as the impact of COVID-19.

The impairment review process at 30 June 2020 included a review of the parameters of the independent valuation issued pre COVID-19 together with the expected future normalised earnings of the Thredbo business. The pre COVID-19 independent valuation parameters were considered to be consistent with current valuation assumptions. In addition, the pre COVID-19 independent valuation is in excess of the current carrying value by over 200% and, as a result, the Group determined that there was no impairment in relation to the carrying value of Thredbo.

Security

The following assets, whose carrying values are listed below, are subject to mortgage security to secure the Group's bank loan facilities (refer to Note 4.4):

	2020 $'000	2019 $'000
Freehold land and buildings	239,703	257,741
Freehold land and buildings classified as investment properties	16,750	17,200
	256,453	274,941

Capital commitments

	2020 $'000	2019 $'000
Capital expenditure commitments contracted but not provided for and payable	1,382	8,841

For personal use only

For personal use only

3.4 – INVESTMENT PROPERTIES

Accounting policy
Investment properties comprise land and buildings which are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group in the ordinary course of business or for administration purposes. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value with any change therein recognised in profit or loss. Property that is being constructed or redeveloped for future use as an investment property is also measured at fair value (unless a fair value cannot be reliably determined).

When the use of a property changes from owner occupied to investment property, the property is reclassified as an investment property. Any difference at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value is recognised directly to the investment property revaluation reserve if it is an increase and to profit or loss if it is a decrease. A gain may be recognised to profit on remeasurement only to the extent it reverses a previous impairment loss on the property. Subsequent transfers from investment property to property, plant and equipment or inventories occur when there is a change in use of the property, usually evidenced by commencement of redevelopment for own use.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognised in profit or loss in the period of derecognition.

Fair value of investment properties
Investment properties are independently revalued to fair value each reporting period, with any gain or loss arising on remeasurement being recognised in profit or loss. The fair value of investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. In assessing the fair value of investment properties, a number of assumptions are made at the end of each reporting period regarding future cash flows, future property market economic conditions and other factors including cash flow discount rates, rental capitalisation rates, and recent market transactions for similar properties.

The carrying amount of investment properties is the fair value of the properties as determined by an independent registered qualified valuer. The significant unobservable inputs used by the valuer in determining the fair value of the investment properties held by the Group at 30 June 2020 included capitalisation rates on reversionary rental yields in the range of 6.00% to 7.25% (2019: 6.00% to 7.25%). Investment properties comprise a number of commercial properties that are leased to third parties and which are held to derive rental income or capital appreciation or both. Each of the leases for investment properties contains an initial non-cancellable period of between five and 15 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged for these investment properties.

During the year ended 30 June 2020, $7,084,000 (2019: $6,762,000) was recognised as rental income for investment properties in the Income Statement, with $2,029,000 (2019: $1,643,000) incurred in respect of direct costs, including $208,000 (2019: $154,000) for repairs and maintenance.

The Group's overall investment property portfolio value has remained relatively stable despite the circumstances of COVID-19. Valuers have carried out the valuations by applying assumptions regarding the reasonably possible impacts of COVID-19 based on information available as at 30 June 2020. Given the circumstances, the property valuations as at 30 June 2020 have been prepared on the basis of ‘material valuation uncertainty’, and therefore the valuers have advised that less certainty should be attached to the property valuations than would normally be the case. The valuations have been reviewed by the Group's property management team, who notwithstanding the uncertainty due to COVID-19, have determined the valuations to be appropriate as at 30 June 2020.

	2020 $’000	2019 $’000
Freehold land and buildings		
At fair value (Level 3 fair values)	74,550	76,200
Summary of movements:		
Balance at the beginning of the year	76,200	74,000
Fair value (decrement)/increment	(1,650)	2,200
Balance at the end of the year	74,550	76,200

3.5 – GOODWILL AND OTHER INTANGIBLE ASSETS

Accounting policy

Goodwill

Goodwill arises from business combinations as described in Note 5.1 and represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised, but instead is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to cash-generating units, and impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised in respect of goodwill cannot be reversed.

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying amount of the investment in the associate or joint venture.

Construction rights

Construction rights relate to the Group's ability to develop accommodation in the Thredbo Alpine Resort. Construction rights are recognised at cost and are derecognised as the rights are either sold or developed. The carrying value of construction rights is reviewed annually. Any amounts no longer considered recoverable are written off, with the impairment loss recorded in profit or loss.

Other intangible assets

Other intangible assets, which largely comprise management and leasehold rights and software, are stated at cost less accumulated amortisation and impairment losses. Management and leasehold rights are amortised over the life of the agreements, which range from 10 to 20 years, on a straight-line basis. Software for major operating systems is amortised over a four to five-year period on a straight-line basis.

Impairment

The carrying amounts of the Group's non-financial assets, other than investment properties (see Note 3.4), are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of assets or cash-generating units is the greater of their fair value less costs to sell, and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying value of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro-rata basis.

Impairment losses are recognised in profit or loss unless the asset or its cash-generating unit has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation, with any excess recognised in profit or loss.

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For personal use only

3.5 – GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Reconciliations

Summaries of the carrying amount movements of each class of intangible assets between the beginning and end of the year are set out below:

	Goodwill $'000	Construction rights $'000	Liquor licences $'000	Management and leasehold rights $'000	Software $'000	Total $'000
2020						
Gross balance at the beginning of the year	59,171	1,343	196	62,292	12,072	135,074
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	(31,604)	(10,146)	(41,750)
Net balance at the beginning of the year	59,171	1,343	196	30,688	1,926	93,324
Acquisitions and initial contributions	–	–	–	5,638	1,748	7,386
Transfers	–	–	–	–	790	790
Amortisation	–	–	–	(3,943)	(1,469)	(5,412)
Impairments	(653)	–	–	(1,972)	–	(2,625)
Net foreign currency differences on translation of foreign operations	(448)	–	–	(180)	(6)	(634)
Net balance at the end of the year	58,070	1,343	196	30,231	2,989	92,829
Gross balance at the end of the year	58,723	1,343	196	67,616	14,612	142,490
Accumulated amortisation and impairment losses at the end of the year	(653)	–	–	(37,385)	(11,623)	(49,661)
Net balance at the end of the year	58,070	1,343	196	30,231	2,989	92,829
2019						
Gross balance at the beginning of the year	62,018	1,388	196	60,340	15,054	138,996
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	(27,075)	(10,598)	(37,673)
Net balance at the beginning of the year	62,018	1,388	196	33,265	4,456	101,323
Acquisitions and initial contributions	–	–	–	1,151	1,724	2,875
Transfers	400	–	–	–	(8)	392
Amortisation	–	(45)	–	(3,510)	(1,812)	(5,367)
Disposals	–	–	–	(531)	–	(531)
Net foreign currency differences on translation of foreign operations	918	–	–	313	66	1,297
Transfer to assets held for sale	(4,165)	–	–	–	(2,500)	(6,665)
Net balance at the end of the year	59,171	1,343	196	30,688	1,926	93,324
Gross balance at the end of the year	59,171	1,343	196	62,292	12,072	135,074
Accumulated amortisation and impairment losses at the end of the year	–	–	–	(31,604)	(10,146)	(41,750)
Net balance at the end of the year	59,171	1,343	196	30,688	1,926	93,324

For personal use only

3.5 – GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Impairment losses recognised

Cash generating units containing goodwill have been outlined below:

	2020 $'000	2019 $'000
Cash-generating units containing goodwill		
The following units have carrying amounts of goodwill:		
Entertainment	43,728	44,599
Hotels – New Zealand	10,007	10,237
Hotels – Australia	3,593	3,593
Multiple units without significant goodwill	742	742
	58,070	59,171

The recoverable value of goodwill has been determined by value in use calculations. This calculation uses cash flow projections based on operating forecasts and projected results, with cash flows beyond the five-year period being projected using a per annum growth rate. To assess the value in use for impairment testing purposes:

- estimated future cash flows were discounted to their present value using an appropriate pre-tax discount rate, derived from the Group's post-tax weighted average cost of capital of 8.70% to 9.50%;
- cash flow forecasts were based primarily on pre COVID-19 budgets or business plans presented to the Event Board which were then adjusted for COVID-19 and anticipated post COVID-19 impact; and
- forecast growth rates (inclusive of an average annual inflation rate) of between 2.0% to 2.5%.

As a result of the above impairment review process impairment losses totalling $2,625,000 (2019: $nil) were recorded in respect of goodwill and management leasehold rights.

3.6 – TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost. Trade payables are normally non-interest bearing and settled within 30 days. Payables are stated with the amount of GST or equivalent tax included.

The carrying value of trade and other payables is considered to approximate fair value.

	2020 $'000	2019 $'000
Trade payables	17,392	23,767
Other payables and accruals	72,736	60,855
	90,128	84,622

3.7 – PROVISIONS

Accounting policy

Employee benefits

Provision is made for employee benefits including annual leave and long service leave for employees. The provision is calculated as the present value of the Group's net obligation to pay such benefits resulting from the employees' services provided up to the reporting date. The provisions due or available to be settled within 12 months have been calculated at undiscounted amounts based on the remuneration rates the employer expects to pay after the reporting date and includes related on-costs.

For personal use only

3.7 – PROVISIONS (continued)

The liability for employees' benefits to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the reporting date.

Liabilities for employee benefits which are not due to be settled within 12 months are discounted using the rates attaching to national government securities at reporting date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee benefits, consideration has been given to future increases in wage and salary rates, and the Group's experience with staff departures. Related on-costs have also been included in the liability.

Insurance loss contingencies and other claims
The insurance loss contingencies and other claims provision relates to estimated costs to be incurred in respect of various claims that are expected to be settled within 12 months of the balance date.

Decommissioning of leasehold improvements
A provision for the estimated cost of decommissioning leasehold improvements is made where a legal or constructive obligation exists.

In determining the provision for decommissioning costs, an assessment is made for each location of the likelihood and amount of the decommissioning costs to be incurred in the future. The estimated future liability is discounted to a present value, with the discount amount unwinding over the life of the leasehold asset as a finance cost in profit or loss. The estimated decommissioning cost recognised as a provision is included as part of the cost of the leasehold improvements at the time of installation or during the term of the lease, as the liability for decommissioning is reassessed. This amount capitalised is then depreciated over the life of the asset.

The decommissioning of leasehold improvements provision has been raised in respect of "make-good" obligations under long term lease contracts for various cinema sites. In determining the provision, an assessment has been made, for each location, of the likelihood that a decommissioning cost will be incurred in the future and, where applicable, the level of costs to be incurred. Uncertainty exists in estimating the level of costs to be incurred in the future because of the long term nature of cinema leases. The basis of accounting is set out in Note 3.3.

Other
Other provisions are recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

	2020 $'000	**2019 $'000**
Current		
Employee benefits	17,215	20,045
Insurance loss contingencies and other claims	75	75
Onerous contract	72	215
	17,362	20,335
Non-current		
Employee benefits	2,695	3,111
Onerous contract	–	72
Decommissioning of leasehold improvements	8,440	7,451
	11,135	10,634

For personal use only

3.7 – PROVISIONS (continued)	2020 $'000	2019 $'000
Movements in provisions		
Movements in the carrying amounts of each class of provisions, except for employee benefits, are set out below:		
Insurance loss contingencies and other claims		
Carrying amount at the beginning of the year	75	75
Payments	–	(1)
Provided	–	1
Carrying amount at the end of the year	75	75
Onerous contract		
Carrying amount at the beginning of the year	287	491
Utilised	(215)	(204)
Provided	–	–
Carrying amount at the end of the year	72	287
Decommissioning of leasehold improvements		
Carrying amount at the beginning of the year	7,451	13,132
Provided	1,178	853
Reversed	(171)	(839)
Paid	–	(51)
Notional interest	–	398
Net foreign currency differences on translation of foreign operations	(18)	247
Transfer to liabilities held for sale	–	(6,289)
Carrying amount at the end of the year	8,440	7,451

3.8 – COMMITMENTS AND LEASES

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4 *Determining whether an Arrangement Contains a Lease*. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately if they are different from those under AASB 16 and the impact of changes is disclosed in Note 1.4.

Accounting policy applicable (from 1 July 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is sued is pre-determined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group has designed the asset in a way that pre-determines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

For personal use only

3.8 – COMMITMENTS AND LEASES (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Accounting policy applicable (before 1 July 2019)
For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- the fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset whilst obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset whilst obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Accounting for leases – as a lessee (from 1 July 2019)
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

For personal use only

3.8 – COMMITMENTS AND LEASES (continued)

Short term leases and leases of low-value assets (from 1 July 2019)
The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Accounting for leases – as a lessee (before 1 July 2019)
In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

Accounting for leases – as a lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies AASB 15 *Revenue* to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from AASB 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Joint operation lease arrangements
As disclosed in Note 5.2, the Group is a party to material joint operations in respect of its cinema operations. These are accounted for on a line-by-line basis. The disclosures set out below include the Group's share of its right-of-use assets and lease liabilities that relate to these joint operations.

For personal use only

For personal use only

3.8 – COMMITMENTS AND LEASES (continued)

Right-of-use assets

Continuing operations	Property $'000
Balance at 1 July 2019	638,835
Additions	29,028
Depreciation	(60,617)
Effect of movement in foreign exchange	(2,798)
Balance at 30 June 2020	604,448

Lease liabilities

Continuing operations	$'000
Maturity analysis – contractual undiscounted cash flows	
Less than one year	80,262
One to five years	302,084
More than five years	536,411
Total undiscounted lease liabilities at 30 June 2020	918,757
Lease liabilities included in the statement of financial position at 30 June 2020	
Current	86,322
Non-current	604,353
	690,675

Amounts recognised in the income statement

Continuing operations	2020 $'000
Interest on lease liabilities	24,384
Variable lease payments not included in the measurement of lease liabilities	3,040

No significant expense was recognised in the income statement in respect of short-term leases or leases of low-value assets.

Property leases

The Group leases various properties, including cinema sites, under operating leases. The leases typically run for periods up to 20 years, with varying terms, escalation clauses and renewal or extension options. The head lease in respect of the Thredbo Village and ski area is for a longer period, being 50 years from 29 June 2007.

The Group sub-leases some of its properties under operating leases (see below).

Variable lease payments based on sales and profit

Some leases provide for additional rent payments that are based on sales or profit that the Group makes at the leased site in the period. Variable lease payments during the year ended 30 June 2020 were $3,040,000 (2019: $6,148,000).

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

As at 30 June 2020, lease liabilities included $99,928,000 of lease liabilities in respect of extension options that have yet to be exercised by the Group.

3.8 – COMMITMENTS AND LEASES (continued)

Lease not yet commenced to which the lessee is committed
As at 30 June 2020, the Group has entered into agreements for new leases that have yet to commence and in respect of which lease liabilities have yet to be recognised. The Group's share of the total undiscounted rent payable under these leases is $29,836,000, over lease terms of between 15 and 20 years.

Other leases
Other leases, including leases of vehicles and equipment, are not material to the Group.

Operating leases – as a lessor
The Group receives rental income from a number of properties, both leased and owned. With the exception of sub-leases under the Thredbo head lease, leases are for periods ranging between one and 15 years and have varying terms, escalation clauses and renewal or extension options. There are approximately 700 sub-leases under the Thredbo head lease. Thredbo sub-leases consist of long term accommodation sub-leases for holiday apartments, chalets and lodges and also retail premises. Long term accommodation sub-leases are typically for periods mirroring the head lease, which was renewed for a further 50-year period from 29 June 2007. The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to ownership of the assets.

Lease income from lease contracts in which the Group acts as a lessor is set out in Note 2.1.

Operating leases – as a lessor (continued)
The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Continuing operations	30 June 2020 $'000
Leases of owned properties	
Less than one year	17,394
One to five years	52,959
More than five years	29,478
	99,831
Sub-leases	
Less than one year	7,800
One to five years	29,783
More than five years	234,720
	272,303

Finance leases – as a lessor
The Group does not currently have any lease arrangements in which it is the lessor that are classified as finance leases.

3.9 – OTHER LIABILITIES

Other liabilities include contract deposits received in advance and deferred lease incentive balances arising from operating leases. Refer to Note 3.8 for further details regarding operating lease arrangements.

For personal use only

SECTION 4 – CAPITAL STRUCTURE AND FINANCING

This section outlines the Group's capital structure, including how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt).

On the following pages, there are sections on the Group's share capital, dividends, reserves, loans and borrowings, and financial risk management.

4.1 – SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. The Company does not have authorised capital or par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Share capital				
Fully paid ordinary shares	161,195,521	160,992,028	219,126	219,126
Movements in share capital				
Balance at the beginning of the year	160,992,028	160,560,596	219,126	219,126
Share capital issued pursuant to the Executive Performance Rights Plan for nil consideration	–	291,625	–	–
Performance shares exercised and withdrawn from the trust	203,493	139,807	–	–
Balance at the end of the year	161,195,521	160,992,028	219,126	219,126
Share capital consists of:				
Ordinary shares	161,173,671	160,969,027		
Tax Exempt Share Plan shares	21,850	23,001		
	161,195,521	160,992,028		
Treasury shares				
Performance shares	–	203,493		
	161,195,521	161,195,521		

Share buy-back
There is no current on-market buy-back.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan was suspended in August 2010.

Treasury shares
Treasury shares consisted of shares held in trust in relation to the Group's Executive Performance Share Plan. As at 30 June 2020, there were no shares (2019: 203,493 shares) held in trust and classified as treasury shares. Information relating to the Group's share-based payment arrangements is set out in Note 6.1.

Options
Other than the performance rights disclosed in Note 6.1, there were no share options on issue as at 30 June 2020 (2019: nil).

For personal use only

4.1 – SHARE CAPITAL (continued)

Capital management
The Group manages its capital with the objective of maintaining a strong capital base so as to maintain investor, creditor and market confidence and to have the capacity to take advantage of opportunities that will enhance the existing businesses and enable future growth and expansion. The Board monitors the return on capital, which the Group defines as operating profit after income tax divided by shareholders' equity and long term debt. The Board also monitors the Group's gearing ratio, being net debt divided by shareholders' equity.

It is recognised that the Group operates in business segments in which operating results may be subject to volatility and the Board continuously reviews the capital structure to ensure sufficient:

- surplus funding capacity is available;
- funds are available for capital expenditure and to implement longer term business development strategies; and
- funds are available to maintain appropriate dividend levels.

There were no changes in the Group's approach to capital management during the year. No Group entity is subject to externally imposed capital requirements.

4.2 – DIVIDENDS

	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Dividends on ordinary shares paid during the year were:					
2020					
Final 2019 dividend	31	49,971	19 September 2019	30%	100%
Interim 2020 dividend	21	33,851	19 March 2020	30%	100%
		83,822			
2019					
Final 2018 dividend	31	49,880	20 September 2018	30%	100%
Interim 2019 dividend	21	33,851	21 March 2019	30%	100%
		83,731			

To assist the Group's liquidity during the COVID-19 recovery period, no final dividend has been declared in respect of the year ended 30 June 2020, and the Group does not currently intend to pay a dividend for the half year ending 31 December 2020. Future dividend payments will be subject to Board consideration and approval having regard to all relevant circumstances including lender gearing requirements and the Group's trading performance.

	2020 $'000	2019 $'000
Franking credit balance		
The amount of franking credits available for future reporting periods	129,783	167,086

The impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period was $nil (2019: reduction in the balance by $21,416,000). The ability to utilise franking credits is dependent upon the Company being in a sufficient positive net asset position and also having adequate available cash flow liquidity.

For personal use only

4.3 – RESERVES

Financial assets revaluation reserve
This reserve includes the cumulative net change in the fair value of investments designated as at FVOCI from 1 July 2019, and the cumulative net change in the fair value of investments previously classified available-for-sale financial assets. Amounts are recognised in the Income Statement when the associated assets are sold or impaired.

Investment property revaluation reserve
This reserve relates to property that has been reclassified as an investment property and represents the cumulative increase in the fair value of the property at the date of reclassification.

Hedging reserve
This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share-based payments reserve
This reserve includes the cumulative fair value of the executive performance shares and performance rights which have been recognised as an employee expense in the Income Statement. See Note 6.1 for further details regarding share-based payment arrangements.

Foreign currency translation reserve
This reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Group's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation and the Group's share of associates' increment or decrement in their foreign currency translation reserve.

Movements in reserves during the year	Financial assets revaluation $'000	Investment property revaluation $'000	Hedging $'000	Share-based payments $'000	Foreign currency translation $'000	Total $'000
At 1 July 2019	12,536	5,121	(11)	36,502	19,797	73,945
Movement in fair value of cash flow hedging instruments – net of tax	–	–	11	–	–	11
Amount recognised in the Income Statement as an employee expense	–	–	–	(1,733)	–	(1,733)
Currency translation adjustment on controlled entities' financial statements	–	–	–	–	691	691
At 30 June 2020	12,536	5,121	–	34,769	20,488	72,914

For personal use only

4.4 – LOANS, BORROWINGS AND FINANCING ARRANGEMENTS

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Loans and borrowings
Interest bearing and non-interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method. The carrying value of loans and borrowings is considered to approximate fair value.

Finance costs
Finance costs include interest, unwinding of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Ancillary costs incurred in connection with the arrangement of loans and borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

Bank debt – secured
As at 30 June 2020, the Group's secured bank debt facilities comprised the following:

- $545,000,000 revolving multi-currency loan facility; and
- $15,000,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities were due to mature on 15 August 2020 and were supported by interlocking guarantees from most Group entities and secured by specific property mortgages (refer to Note 3.3).

Subsequent to 30 June 2020, the Group's secured bank debt facilities were amended and restated on 3 July 2020 and now comprise the following:

- $650,000,000 revolving multi-currency loan facility maturing on 3 July 2023;
- $100,000,000 non-revolving loan facility maturing on 3 January 2022; and
- $2,500,000 credit support facility (for the issue of letters of credit and bank guarantees).

The above facilities are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 1.75% and 4.35% per annum. As at 30 June 2020, the Group had drawn $488,300,000 (2019: $376,909,000) under the debt facilities, of which $nil (2019: $nil) was subject to interest rate swaps used for hedging, and had drawn $1,124,000 under the credit support facility (2019: $2,927,000).

Other facility – secured
Certain wholly-owned German subsidiaries have a secured guarantee facility of €14,000,000 (A$22,910,000) for the issue of letters of credit and bank guarantees. The facility expires on 31 January 2021 and is secured against cash held within certain (non-Australian based) Group entities. Guarantees supported under the facility bear interest at the relevant inter-bank benchmark rate plus a margin of 1.15% per annum. At 30 June 2020, the Group had drawn €13,581,000 (A$22,224,000) under the facility.

For personal use only

4.4 – LOANS, BORROWINGS AND FINANCING ARRANGEMENTS (continued)	2020 $'000	2019 $'000
Current		
Interest bearing loans and borrowings		
Bank loans – secured	488,300	–
	488,300	–
Non-current		
Interest bearing loans and borrowings		
Bank loans – secured	–	376,909
Deferred financing costs	–	(614)
	–	376,295
Non-interest bearing loans and borrowings		
Loans from other companies – unsecured	859	859
	859	377,154

4.5 – FINANCIAL RISK MANAGEMENT

Derivative financial instruments
From time to time, the Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operating activities, investing activities and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised at fair value within prepayments and other current assets. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

Investments designated as at fair value through other comprehensive income ("FVOCI")
The Group holds a preference shareholding in Carlton Investments Limited, a company listed on the ASX. The Group has designated these investments as at FVOCI. All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are designated as at FVOCI, are measured at fair value. Investments designated as at FVOCI comprise marketable equity securities.

For investments that are actively traded in organised financial markets, fair value is determined by reference to securities exchange quoted market bid prices at the close of business at reporting date.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

	2020 $'000	2019 $'000
Equity investments as at FVOCI		
Investment in a listed company	78	78

No reasonably possible change in the share price of this company would have a material effect on the investment balance or the related revaluation reserve at the reporting date.

For personal use only

4.5 – FINANCIAL RISK MANAGEMENT (continued)

For personal use only

Financial risks
The Group's exposure to financial risks, objectives, policies and processes for managing the risks including methods used to measure the risks, and the management of capital are presented below.

The Group's activities expose it to the following financial risks:
- credit risk;
- liquidity risk; and
- market risk, including interest rate and foreign exchange risks.

The Board has overall responsibility for the oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly and modified as appropriate to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee oversees how management has established and monitors internal compliance and control systems and to ensure the appropriate and effective management of the above risks. The Audit and Risk Committee is assisted in its oversight role by the Internal Audit function. The Internal Audit function undertakes reviews of risk management controls and procedures in accordance with an annual plan approved by the Audit and Risk Committee. The results of these Internal Audit reviews are reported to the Audit and Risk Committee.

Credit risk
Credit risk arises from trade and other receivables outstanding, cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. It is the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables. Information regarding the Group's trade receivable balances is disclosed in Note 3.1. The Group's exposure to credit risk is not considered material.

The Group's maximum exposure to credit risk at the reporting date was considered to approximate the carrying value of receivables at the reporting date.

Investments and derivatives
Investments of surplus cash and deposits and derivative financial instruments are with banks with high credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At 30 June 2020, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

Guarantees
All guarantees are in respect of obligations of subsidiaries, associates, joint ventures or joint operations in which the Group has an interest, and principally relate to operating lease arrangements. The Group's operating lease commitments are disclosed in Note 3.8, and details of guarantees given by the parent entity are provided in Note 7.4.

Security deposits
Security deposits relate to the Group's operating lease arrangements. Certain lease agreements require an amount to be placed on deposit, which should then be returned to the Group at the conclusion of the lease term.

4.5 – FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. The Group's treasury function aims to maintain flexibility in funding by maintaining committed credit lines with a number of counterparties.

The Group's financial liabilities

The contractual maturities of the Group's financial liabilities, including interest payments and excluding the impact of netting agreements, are as follows:

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	6 to 12 months $'000	1 to 2 year(s) $'000	2 to 5 years $'000	Over 5 years $'000
2020							
Non-derivative financial liabilities							
Secured bank loans	488,300	(489,195)	(489,195)	–	–	–	–
Unsecured non-interest bearing loans from other companies	859	(859)	–	–	–	–	(859)
Trade payables	17,392	(17,392)	(17,392)	–	–	–	–
Other payables and accruals	72,736	(72,736)	(72,736)	–	–	–	–
Derivative financial liabilities							
Forward exchange contracts	–	–	–	–	–	–	–
	579,287	(580,182)	(579,323)	–	–	–	(859)
2019							
Non-derivative financial liabilities							
Secured bank loans	376,909	(386,989)	(4,715)	(4,281)	(377,993)	–	–
Unsecured non-interest bearing loans from other companies	859	(859)	–	–	–	–	(859)
Trade payables	23,767	(23,767)	(23,767)	–	–	–	–
Other payables and accruals	60,855	(60,855)	(60,855)	–	–	–	–
Derivative financial liabilities							
Forward exchange contracts	16	(16)	(16)	–	–	–	–
	462,406	(472,486)	(89,353)	(4,281)	(377,993)	–	(859)

For derivative financial assets and liabilities, maturities detailed in the table above approximate periods that cash flows and the impact on profit or loss are expected to occur.

For personal use only

4.5 – FINANCIAL RISK MANAGEMENT (continued)

Market risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

The Group uses derivative financial instruments such as interest rate swaps and forward exchange contracts to hedge exposures to fluctuations in interest rates and foreign exchange rates. Derivatives are used exclusively for hedging purposes and are not traded or used as speculative instruments. This is carried out under Board approved treasury policies.

Hedge of net investment in foreign operations
The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation, that is determined to be an effective hedge, is recognised in other comprehensive income and presented in equity in the foreign currency translation reserve. The ineffective portion is recognised immediately in profit or loss.

Interest rate risk
The Group manages interest rate exposures on borrowings in accordance with a Board approved treasury policy that specifies parameters for hedging including hedging percentages and approved hedging instruments. The policy specifies upper and lower hedging limits set for specific timeframes out to five years. These limits may be varied with the approval of the Board.

At reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2020 $'000	2019 $'000
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	–	–
	–	–
Variable rate instruments		
Financial assets	55,168	64,869
Financial liabilities	(488,300)	(376,909)
	(433,132)	(312,040)

The Group manages interest rate risk in accordance with a Board approved treasury policy covering the types of instruments, range of protection and duration of instruments. The financial instruments cover interest rate swaps and forward rate agreements. Maturities of these instruments are up to a maximum of five years. Interest rate swaps and forward rate agreements allow the Group to raise long term borrowings at floating rates and swap a portion of those borrowings into fixed rates.

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. There were no interest rate hedges at 30 June 2020 (2019: no interest rate hedges).

The Group classifies interest rate swaps as cash flow hedges and recognises them at fair value in the Statement of Financial Position.

The Group accounts for fixed rate financial assets and liabilities at fair value. The Group had no fixed rate instruments for the year ended 30 June 2020 (2019: no fixed rate instruments) and accordingly no sensitivity analysis has been prepared in the current or prior year.

Foreign exchange risk
The Group is exposed to currency risk on purchases, borrowings and surplus funds that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar ("AUD"), but also the New Zealand dollar ("NZD"), Euro ("EUR") and Great British pound ("GBP"). Transactions undertaken by Group entities are primarily denominated in AUD, NZD, EUR and the US dollar ("USD").

For personal use only

4.5 – FINANCIAL RISK MANAGEMENT (continued)

The Group manages foreign currency exposures in accordance with a Board approved treasury policy that specifies parameters for hedging, including hedging percentages and approved hedging instruments. At any point in time, the Group hedges up to 60% of "highly probable" foreign currency exposures and 100% of confirmed foreign currency exposures. Typically, foreign currency exposures are hedged with the utilisation of forward exchange contracts.

The Group's exposure to foreign currency risk in AUD equivalents at the reporting date was as follows, based on notional amounts:

	2020				2019			
	NZD $'000	EUR $'000	GBP $'000	USD $'000	NZD $'000	EUR $'000	GBP $'000	USD $'000
Cash and cash equivalents	7,684	3,534	476	96	221	3,334	648	1,104
Trade receivables	1,713	–	–	–	631	–	–	–
Secured bank loans	(95,300)	–	–	–	(66,909)	–	–	–
Trade payables	(3,460)	–	–	–	(1,838)	–	–	–
Gross balance sheet exposure	(89,363)	3,534	476	96	(67,895)	3,334	648	1,104
Forward exchange contracts	–	–	–	–	–	–	–	(16)
	–	–	–	–	–	–	–	(16)
Net exposure	(89,363)	3,534	476	96	(67,895)	3,334	648	1,088

Sensitivity analysis
No reasonably possible change in prevailing foreign exchange rates would have a significant impact on the Income Statement or hedging reserve in the current or prior year.

Hedging of net investment in foreign subsidiaries
The Group's NZD denominated bank loan is designated as a hedge of the foreign currency exposure to the Group's net investment in its subsidiaries in New Zealand. The carrying amount of the loan at 30 June 2020 was $95,300,000 (2019: $66,909,000). A foreign exchange gain of $2,412,000 (2019: loss of $3,016,000) was recognised in equity on translation of the loan to AUD.

Financial instruments fair value determination method grading
Valuation methods for financial instruments carried at fair value are defined as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments designated as at FVOCI are classified as Level 1 financial instruments. Derivative financial instruments are classified as Level 2 financial instruments.

For personal use only

SECTION 5 – GROUP COMPOSITION

This section explains the composition of the Group.

On the following pages, there are sections on businesses acquired during the year, a list of subsidiaries, investments in associates and joint ventures, and disclosures regarding interests in other entities including cinema partnership interests.

5.1 – BUSINESS COMBINATIONS

Accounting policy
Business combinations are accounted for using the acquisition method as at the date when control is transferred to the Group. Under the acquisition method, consideration transferred in a business combination is generally measured at fair value, as are the identifiable net assets acquired. Consideration transferred includes the fair value of any contingent consideration, and share-based payment awards of the acquiree that are required to be replaced in the business combination.

The Group measures goodwill arising from the business combination at the acquisition date as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment (refer to Note 3.5). If the consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

A contingent liability of the acquiree is assumed in a business combination only if the liability represents a present obligation and arises from past events, and its fair value can be measured.

The Group measures any non-controlling interest at its proportionate interest of the fair value of identifiable net assets of the acquiree.

Transaction costs incurred by the Group in connection with a business combination, such as due diligence fees, legal fees and other professional costs, are expensed as incurred.

Business combinations in the year ended 30 June 2020
There were no material business combinations in the year ended 30 June 2020.

Business combinations in the year ended 30 June 2019
There were no material business combinations in the year ended 30 June 2019.

For personal use only

SECTION 5 – GROUP COMPOSITION

5.2 – SUBSIDIARIES

Accounting policy
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-Group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial report.

Subsidiaries	Note	Ownership interest 2020 %	2019 %
Albury Hotel Property Unit Trust		100	100
Amalgamated Cinema Holdings Limited	(c)	100	100
Amalgamated Holdings Superannuation Fund Pty Limited		100	100
Ancona Investments Pty Limited		100	100
Atura Adelaide Airport Unit Trust		100	100
Atura Holdings Pty Limited		100	100
Atura Hotels and Resorts Pty Limited		100	100
Bay City Cinemas Limited	(c)	100	100
Birch, Carroll & Coyle Limited		100	100
BLN Hotels Property Unit Trust		100	100
Bryson Centre Unit Trust		100	100
Bryson Hotel Property Unit Trust		100	100
Bryson Hotel Pty Limited		100	100
Canberra Theatres Limited		100	100
CMS Cinema Management Services GmbH & Co. KG	(a)(e)	100	100
CMS Cinema Verwaltungs GmbH	(a)(e)	100	100
Edge Digital Cinema Pty Limited		100	100
Edge Digital Technology Pty Limited		100	100
Edge Investments BV	(a)(d)(f)	100	100
Elsternwick Properties Pty Limited		100	100
Event Cinema Entertainment Pty Limited		100	100
Event Cinemas (Australia) Pty Limited		100	100
Event Cinemas Limited	(c)	100	100
Event Cinemas Nominees Limited	(c)	100	100
Event Cinemas (NZ) Limited	(c)	100	100
Event Cinemas Queen Street Nominees Limited	(c)	100	100
Event Hotels and Resorts Pty Limited		100	100
Event Hotels (NZ) Limited	(c)	100	100
EVT Administration Pty Limited		100	100
Filmpalast am ZKM Karlsruhe Beteiligungs GmbH	(a)(e)	100	100
Filmpalast Konstanz Beteiligungs GmbH	(a)(e)	100	100
First Cinema Management BV	(a)(d)(f)	100	100
2015 First Holding GmbH	(a)(e)	100	100
Flaggspelt Vermogensverwaltungsgesellschaft mbH	(a)(e)	100	100
458 to 468 George Street Development Pty Limited		100	100
458 to 468 George Street Development Trust		100	100
458 to 468 George Street Holding Pty Limited		100	100
458 to 468 George Street Holding Trust		100	100
Glenelg Theatres Pty Limited		100	100

For personal use only

SECTION 5 – GROUP COMPOSITION

5.2 – SUBSIDIARIES (continued)	Note	Ownership interest 2020 %	2019 %
Greater Entertainment Pty Limited		100	100
Greater Occasions Australia Pty Limited		100	100
Greater Union Betriebsmittel GmbH	(a)(e)	100	100
Greater Union Filmpalast Cubix in Berlin GmbH	(a)(e)	100	100
Greater Union Filmpalast Dortmund GmbH & Co. KG	(a)(e)	100	100
Greater Union Filmpalast GmbH	(a)(e)	100	100
Greater Union Filmpalast in der Kulturbrauerei Berlin GmbH	(a)(e)	100	100
Greater Union Filmpalast in Hamburg GmbH	(a)(e)	100	100
Greater Union Filmpalast Rhein-Main GmbH	(a)(e)	100	100
Greater Union First Cinema BV and Co. KG	(a)(e)	100	100
Greater Union International BV	(a)(d)	100	100
Greater Union International GmbH	(a)(e)	100	100
Greater Union International Holdings Pty Limited		100	100
Greater Union Limited	(a)(b)	100	100
Greater Union Media & Event GmbH	(a)(e)	100	100
Greater Union Nominees Pty Limited		100	100
Greater Union Real Estate 24 GmbH	(a)(e)	100	–
Greater Union Real Estate 40 GmbH	(a)(e)	100	100
Greater Union Real Estate Mainz GmbH	(a)(e)	100	100
Greater Union Screen Entertainment Pty Limited		100	100
Greater Union Theaters Beteiligungs GmbH	(a)(e)	100	100
Greater Union Theaters Dritte GmbH & Co. KG	(a)(e)	100	100
Greater Union Theaters Dritte Verwaltungs GmbH	(a)(e)	100	100
Greater Union Theaters GmbH	(a)(e)	100	100
Greater Union Theaters Management Mainz GmbH	(a)(e)	100	100
Greater Union Theaters Verwaltungs GmbH	(a)(e)	100	100
Greater Union Theaters Zweite GmbH & Co. KG	(a)(e)	100	100
Greater Union Theaters Zweite Verwaltungs GmbH	(a)(e)	100	100
Greattheatre Pty Limited		100	100
GU Real Estate Mainz Management GmbH	(a)(e)	100	100
GUO Investments (WA) Pty Limited		100	100
Gutace Holdings Pty Limited		100	100
Haparanda Pty Limited		100	100
Haymarket's Tivoli Theatres Pty Limited		100	100
Kidsports Australia Pty Limited		100	100
Kosciuszko Thredbo Pty Limited		100	100
KTPL Unit Trust		100	100
Kvarken Pty Limited		100	100
Lakeside Hotel Property Unit Trust		100	100
Lakeside Hotel Pty Limited		100	100
Lakeside International Hotel Unit Trust		100	100
Mamasa Pty Limited		100	100
Multiplex Cinemas Bremen GmbH	(a)(e)	100	–
Multiplex Cinemas Frankfurt Mainzer Landstraße GmbH	(a)(e)	100	–
Multiplex Cinemas Gütersloh GmbH	(a)(e)	100	–
Multiplex Cinemas Magdeburg GmbH	(a)(e)	100	100
Multiplex Cinemas Oberhausen GmbH	(a)(e)	100	100
Multiplex Cinemas Remscheid GmbH	(a)(e)	100	–
Neue Filmpalast GmbH & Co. KG	(a)(e)	100	100
Neue Filmpalast Management GmbH	(a)(e)	100	100
NFP Erste GmbH & Co. KG	(a)(e)	100	100

For personal use only

SECTION 5 – GROUP COMPOSITION

5.2 – SUBSIDIARIES (continued)	Note	Ownership interest 2020 %	2019 %
NFP Erste Verwaltungs GmbH	(a)(e)	100	100
Noahs Hotels (NZ) Limited	(c)	100	100
Noahs Limited		100	100
Northside Gardens Hotel Property Unit Trust		100	100
Northside Gardens Hotel Pty Limited		100	100
Pantami Pty Limited		100	100
203 Port Hacking Road Pty Limited		100	100
QT Gold Coast Pty Limited		100	100
QT Hotels and Resorts Pty Limited		100	100
QT Resort Port Douglas Pty Limited		100	100
RH Hotels Pty Limited		100	100
RQ Motels Pty Limited		100	100
Rydges Bankstown Pty Limited		100	100
Rydges Cronulla Pty Limited		100	100
Rydges Gladstone Hotel Property Unit Trust		100	100
Rydges Hobart Hotel Property Unit Trust		100	100
Rydges Hobart Hotel Pty Limited		100	100
Rydges Hotels Limited		100	100
Rydges Hotels Property Unit Trust		100	100
Rydges HPT Pty Limited		100	100
Rydges Property Holdings Pty Limited		100	100
Rydges Rotorua Hotel Limited	(a)(c)	100	100
Rydges Townsville Hotel Property Unit Trust		100	100
Sonata Hotels Pty Limited		100	100
Southport Cinemas Pty Limited		100	100
Sunshine Cinemas Pty Limited		100	100
Tannahill Pty Limited		100	100
The Geelong Theatre Company Limited		100	100
The Greater Union Organisation Pty Limited		100	100
Thredbo Resort Centre Pty Limited		100	100
Tourism & Leisure Pty Limited		100	100
Vierte Kinoabspielstatten GmbH & Co. KG	(a)(e)	100	100
Vierte Kinoabspielstatten Verwaltungs GmbH	(a)(e)	100	100
Western Australia Cinemas Pty Limited		100	100
Zollverein Pty Limited		100	100
Zweite Kinoabspielstatten GmbH & Co. KG	(a)(e)	100	100
Zweite Kinoabspielstatten Verwaltungs GmbH	(a)(e)	100	100

(a) These companies are audited by other member firms of KPMG International.
(b) This company was incorporated in and carries on business in the United Kingdom.
(c) These companies were incorporated in and carry on business in New Zealand.
(d) These companies were incorporated in and carry on business in The Netherlands.
(e) These companies were incorporated in and carry on business in Germany and, as disclosed in Note 2.4, the Group has entered into an agreement for the sale of its German cinema exhibition operations, CineStar, which includes the Group's German subsidiary companies.
(f) Two companies that are incorporated in and carry on business in The Netherlands are included within the agreement for the sale of the Group's German cinema exhibition operations, CineStar (refer to Note 2.4).

All companies, except those stated above, were incorporated in Australia. All trusts were established in Australia.

For personal use only

5.3 – INTERESTS IN OTHER ENTITIES

Accounting policy
Interests in equity accounted investees
The Group's interests in equity accounted investees comprise interests in associates and interests in joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Interests in associates and joint ventures (see below) are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Joint arrangements
A joint arrangement is an arrangement of which two or more parties have joint control, in which the parties are bound by a contractual arrangement, and the contractual arrangement gives two or more of those parties joint control of the arrangement.

The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

The Group's interests in joint operations, which are arrangements in which the parties have rights to the assets and obligations for the liabilities, are accounted for on the basis of the Group's interest in those assets and liabilities. The Group's interests in joint ventures, which are arrangements in which the parties have rights to the net assets, are equity accounted.

Investments in associates and joint ventures	2020 $'000	2019 $'000
Associates	119	116
Joint ventures	15,880	10,997
	15,999	11,113

For personal use only

5.3 – INTERESTS IN OTHER ENTITIES (continued)

Joint ventures

Details of the Group's investments in joint ventures, which are accounted for using the equity method, are as follows:

			Ownership interest		Investment carrying amount		Contribution to operating profit	
Name	**Principal activities**	**Country of incorporation**	**2020 %**	**2019 %**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Browns Plains Cinemas Pty Limited	Operator of a multiscreen cinema complex	Australia	[a]50	[a]50	488	672	(184)	(78)
Filmpalast am ZKM Karlsruhe GmbH & Co. KG	Operator of a multiscreen cinema complex	Germany	[b]50	[b]50	–	–	–	–
Filmpalast Konstanz GmbH & Co. KG	Operator of a multiscreen cinema complex	Germany	[b]50	[b]50	–	–	–	–
Rydges Latimer Holdings Limited	Hotel owner	New Zealand	16	16	3,977	3,889	311	546
Jucy Snooze Limited	Hotel operator	New Zealand	[c]50	–	5,527	–	(445)	–
Loganholme Cinemas Pty Limited	Operator of a multiscreen cinema complex	Australia	50	50	5,888	6,436	(548)	94
Red Carpet Cinema Communication GmbH & Co. KG	Event management	Germany	[b]50	[b]50	–	–	–	–
					15,880	10,997	(866)	562

(a) Browns Plains Cinemas Pty Limited owns 33% of the Browns Plains Multiplex Joint Venture. The Group also has a direct 33% share in the Browns Plains Multiplex Joint Venture which is accounted for as a joint operation. The Group's total effective interest in the Browns Plains Multiplex Joint Venture is 50%.

(b) These companies are incorporated in Germany. The Group's investment in these companies has been reclassified to assets held for sale; see Note 2.4.

(c) The Group acquired a 50% interest in Jucy Snooze Limited on 3 February 2020.

The Group reviewed its investments in joint ventures for indicators of impairment following the economic impact of COVID-19. The Group considered each investment and, in the case of Browns Plains Cinemas Pty Limited and Loganholme Cinemas Pty Limited, the relationship and connection with other associated cash generating assets. The Group determined that there was no requirement to book an impairment in relation to the carrying value of investments in joint ventures.

Dividends received from joint ventures for the year ended 30 June 2020 amount to $858,000 (2019: $2,340,000). The balance date of each of the Group's joint ventures is 30 June.

For personal use only

5.3 – INTERESTS IN OTHER ENTITIES (continued)

Associates

Details of the Group's investments in associates, which are accounted for using the equity method, are as follows:

Name	Principal activities	Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %	Investment carrying amount 2020 $'000	Investment carrying amount 2019 $'000	Contribution to operating profit 2020 $'000	Contribution to operating profit 2019 $'000
Cinesound Movietone Productions Pty Limited	Film owner and distributor	Australia	50	50	119	116	3	3
DeinKinoticket GmbH	Operator of DeinKinoticket website	Germany	(a) 24	(a) 24	–	–	–	–
Digital Cinema Integration Partners Pty Limited	Administration	Australia	48	48	–	–	–	–
Digital Cinema Integration Partners NZ Pty Limited	Administration	New Zealand	(b) 60	(b) 60	–	–	–	–
Movietimes Australia and New Zealand Pty Limited	Operator of Movietimes website	Australia	(b) 53	(b) 53	–	–	–	–
					119	116	3	3

(a) This company is incorporated in Germany. The Group's investment in this company has been reclassified to assets held for sale; see Note 2.4.
(b) Digital Cinema Integration Partners NZ Pty Limited and Movietimes Australia and New Zealand Pty Limited are not consolidated as the Group does not have control.

Dividends received from associates for the year ended 30 June 2020 amount to $nil (2019: $nil). The balance date of each of the Group's associates is 30 June.

The Group reviewed its investments in associates for indicators of impairment following the economic impact of COVID-19. The Group determined that there was no requirement to book an impairment in relation to the carrying value of investments in associates.

personal use only

5.3 – INTERESTS IN OTHER ENTITIES (continued)

Joint operations

Details of the Group's investments in joint operations, which are accounted for on a line-by-line basis, are as follows:

			Ownership interest	
			2020	2019
Name	**Principal activities**	**Country of operation**	**%**	**%**
Australian Theatres Joint Venture	Operator of multiscreen cinema complexes	Australia	50	50
Browns Plains Multiplex Joint Venture	Operator of a multiscreen cinema complex	Australia	(a)33	(a)33
Castle Hill Multiplex Cinema Joint Venture	Operator of a multiscreen cinema complex	Australia	50	50
Casuarina Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Australia	50	50
Garden City Cinema Joint Venture	Operator of a multiscreen cinema complex	Australia	33	33
Rialto Joint Venture	Operator of multiscreen cinema complexes	New Zealand	50	50
Toowoomba Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Australia	50	50

(a) In addition to the 33% interest in the Browns Plains Multiplex Joint Venture held directly, the Group has a 50% interest in Browns Plains Cinemas Pty Limited which is classified as a joint venture and equity accounted. Browns Plains Cinemas Pty Limited owns 33% of the Browns Plains Multiplex Joint Venture. The Group's total effective interest in the Browns Plains Multiplex Joint Venture is 50%.

personal use only

SECTION 6 – EMPLOYEE BENEFITS AND RELATED PARTY TRANSACTIONS

This section explains the remuneration of executives and other employees, and transactions with related parties including directors.

On the following pages, there are sections on share-based payments, director and executive disclosures and related party transactions.

6.1 – SHARE-BASED PAYMENTS

The Group's share-based payment arrangements include the Executive Performance Share Plan and the Executive Performance Rights Plan. Grants were made under the Executive Performance Share Plan from 2007 to 2013 inclusive. The Group conducted a review of its long term incentive ("LTI") arrangements in 2013 and resolved that the existing performance share-based LTI should be replaced with a performance rights-based LTI. Shareholders approved the Executive Performance Rights Plan at the 2013 Annual General Meeting. Grants have subsequently been made under the Executive Performance Rights Plan in February 2014, February 2015, February 2016, February 2017, February 2018, February 2019 and February 2020.

Accounting policy
The fair value of performance shares and rights granted under the Executive Performance Share Plan and the Executive Performance Rights Plan is recognised as an employee expense over the period during which the employees become unconditionally entitled to shares in the Company. There is a corresponding increase in equity, being recognition of a share-based payments reserve. The fair value of performance shares and rights granted is measured at grant date.

To facilitate the operation of the Executive Performance Share Plan and Executive Performance Rights Plan, a third party trustee is used to administer the trust which holds shares in the Company allocated under the Executive Performance Share Plan or otherwise held or acquired on market in order to satisfy the Group's future obligations under the Executive Performance Rights Plan. The trust is controlled by the Group and therefore its financial statements are included in the consolidated financial statements. The shares in the Group held by the trust are therefore shown as treasury shares (see Note 4.1). The Group incurs expenses on behalf of the trust. These expenses are in relation to administration costs of the trust and are recorded in the Income Statement as incurred.

Performance shares and performance rights are subject to performance hurdles. The performance shares are recognised in the Statement of Financial Position as restricted ordinary shares. Performance shares are included within the weighted average number of shares used as the denominator for determining basic earnings per share and net tangible asset backing per share. Performance rights are not recognised in the Statement of Financial Position, but are included within the weighted average number of shares issued as the denominator for determining diluted earnings per share.

The Group measures the cost of the Executive Performance Share Plan and Executive Performance Rights Plan by reference to the fair value of the equity instruments at the date at which the instruments are granted. The fair value of performance rights granted is determined by an external valuer using a Binomial tree model and a Monte Carlo simulation model and using the assumptions detailed below.

Executive Performance Rights Plan
The establishment of the Executive Performance Rights Plan was approved by shareholders at the 2013 Annual General Meeting. Employees receiving awards under the Executive Performance Rights Plan are those of a senior level and above (including the CEO).

An employee awarded performance rights is not legally entitled to shares in the Company before the performance rights under the plan vest, and during the vesting period the performance rights do not carry the right to vote or to receive dividends. Once the rights have vested, which is dependent on the Group achieving its earnings per share ("EPS") and total shareholder return ("TSR") targets, participants are issued one ordinary share in the Company for each vested performance right held. Award, vesting and the issue of ordinary shares under the plan are made for no consideration. The performance period is three years.

For personal use only

6.1 – SHARE-BASED PAYMENTS (continued)

Set out below are summaries of performance rights awarded under the plan:

Type of right	Grant date	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
2020						
Performance rights	16 February 2017	485,009	–	–	(485,009)	–
Performance rights	15 February 2018	478,224	–	–	(44,757)	433,467
Performance rights	21 February 2019	445,908	–	–	(42,793)	403,115
Performance rights	20 February 2020	–	528,483	–	(19,668)	508,815
		1,409,141	528,483	–	(592,227)	1,345,397
2019						
Performance rights	18 February 2016	467,218	–	(291,625)	(175,593)	–
Performance rights	16 February 2017	524,345	–	–	(39,336)	485,009
Performance rights	15 February 2018	544,102	–	–	(65,878)	478,224
Performance rights	21 February 2019	–	470,648	–	(24,740)	445,908
		1,535,665	470,648	(291,625)	(305,547)	1,409,141

Fair value of performance rights granted
The assessed fair value at grant date of performance rights granted under the Executive Performance Rights Plan during the year ended 30 June 2020 was $11.07 (2019: $11.21) for those rights that have EPS hurdles and $5.15 (2019: $5.11) for those rights that have TSR hurdles. The fair value of each performance right is estimated on the date of grant using a Binomial tree model for those rights that have EPS hurdles, and a Monte Carlo simulation model for those rights that have TSR hurdles with the following weighted average assumptions used for each grant:

	Granted 20 February 2020	Granted 21 February 2019	Granted 15 February 2018
Dividend yield (per annum)	4.35%	4.15%	4.0%
Expected volatility	20%	20%	20%
Risk-free rate (per annum)	0.68%	1.62%	2.07%
Share price	$12.40	$12.46	$13.09
Expected life	3 years	3 years	3 years

The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

For personal use only

6.1 – SHARE-BASED PAYMENTS (continued)

Executive Performance Share Plan
Employees who received awards under the Executive Performance Share Plan were those of a senior level and above. An employee awarded performance shares is not legally entitled to shares in the Company before the performance shares allocated under the plan vest. However, the employee can vote and receive dividends in respect of shares allocated to them. Once the shares have vested, which is dependent on the Group achieving its EPS and TSR targets, they remain in the trust until the earliest of the employee leaving the Group, the seventh anniversary (for grants made from 2010) or the 10th anniversary (for grants made from 2007 to 2009) of the date the performance shares were awarded, or the date the Board approves an application for their release. Award, vesting and exercise under the plan are made for no consideration. The performance period is three years.

Set out below are summaries of performance shares awarded under the plan:

Year	Type of right	Balance at the start of the year	Granted	Exercised	Forfeited shares reallocated	Balance at the end of the year
2020	Performance shares	203,493	–	(203,493)	–	–
2019	Performance shares	343,300	–	(139,807)	–	203,493

No performance shares were granted during the year ended 30 June 2020 (2019: nil).

Share-based payment expense
Total share-based payment expense included within employee expenses for the year ended 30 June 2020 was a credit of $1,720,000 (2019: expense of $2,625,000).

Superannuation
Group entities contribute to several defined contribution superannuation plans. The superannuation contributions recognised as an employee expense in the Income Statement are detailed below:

	2020 $'000	2019 $'000
Superannuation contributions recognised as an employee expense	15,398	17,764

For personal use only

SECTION 6 – EMPLOYEE BENEFITS AND RELATED PARTY TRANSACTIONS

6.2 – DIRECTOR AND EXECUTIVE DISCLOSURES

Information regarding individual directors' and executives' compensation and some equity instruments disclosures, as permitted by the Corporations Regulations 2001, are provided in the Remuneration Report contained within the Directors' Report. The relevant sections of the Remuneration Report are outlined below:

Key management personnel remuneration

The key management personnel remuneration included in employee expenses is as follows:

	2020 $	2019 $
Employee benefits		
Short term	5,080,556	7,293,053
Other long term	26,253	82,082
Termination payments	–	271,660
Equity compensation	22,071	1,161,613
Post employment	141,249	217,360
	5,270,129	9,025,768

Other transactions with the Company or its controlled entities

AG Rydge is a director of Carlton Investments Limited. Carlton Investments Limited rents office space from a controlled entity. Rent is charged to Carlton Investments Limited at a market rate. Rent and office service charges received during the year were $21,675 (2019: $22,954). The Company previously held ordinary shares in Carlton Investments Limited, and continues to hold preference shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $5,312 (2019: $793,023), comprised of $nil (2019: $787,711) from ordinary shares and $5,312 (2019: $5,312) from preference shares.

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $117,287 (2019: $102,976). Rent is charged to AG Rydge at market rates.

Apart from the details disclosed in the Remuneration Report, no member of key management personnel has entered into a material contract with the Group since the end of the previous year and there were no material contracts involving directors' interests existing at reporting date.

From time to time, key management personnel of the Group, or their related parties, may purchase goods or services from the Group. These purchases are usually on the same terms and conditions as those granted to other Group employees. Where the purchases are on terms and conditions more favourable than those granted to other Group employees, the resulting benefits form part of the total remuneration outlined within the Remuneration Report.

For personal use only

6.3 – RELATED PARTIES

Relationships with associates
Transactions with associates included the receipt of property rental income from an associate of $66,000 (2019: $69,000). Costs paid on behalf of an associate totalled $71,000 (2019: $89,000) and these costs were not refundable (2019: $nil) by that associate.

Refer also to Notes 3.1 and 5.3.

Relationships with joint ventures and joint operation partners
Refer to Note 5.3.

Key management personnel
Disclosures relating to directors of the Company and named executives are set out in the Remuneration Report contained within the Directors' Report, and in Note 6.2.

For personal use only

SECTION 7 – OTHER INFORMATION

This section contains other disclosures required by accounting standards and the Corporations Act 2001.

7.1 – CONTINGENT LIABILITIES

Claims for personal injury
The nature of the Group's operations results in claims for personal injury being received from time to time. The directors believe that the outcome of any current claims outstanding, which are not provided against in the financial statements, will not have a significant impact on the operating result of the Group in future reporting periods.

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement at balance date.

7.2 – RECONCILIATION OF (LOSS)/PROFIT FOR THE YEAR TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2020 $'000	2019 $'000
Reconciliation of (loss)/profit for the year to net cash provided by operating activities		
(Loss)/profit for the year	(11,366)	111,889
Adjustments for:		
Depreciation and amortisation	131,482	72,320
Impairment adjustments	60,923	(8,856)
Loss/(profit) on disposal of non-current assets	(612)	580
Fair value decrement/(increment) of investment properties	1,657	(1,931)
Equity accounted investment dividends	858	2,340
Share of equity accounted investees' net loss/(profit)	747	(1,692)
Share-based payments expense	396	2,621
Receivables impairment adjustment	1,714	40
Unrealised foreign exchange losses/(gains)	430	(115)
Net cash provided by operating activities before change in assets and liabilities	186,229	177,196
Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired/disposed during the year:		
Decrease/(Increase) in trade and other receivables	5,907	(8,166)
Decrease/(Increase) in inventories	596	(24)
(Increase)/decrease in prepayments and other current assets	(20,410)	6,371
Decrease in deferred tax items	(5,830)	(19,944)
(Decrease)/increase in income taxes payable	(25,954)	24,273
Increase/(decrease) in trade and other payables	12,947	(9,200)
(Decrease)/increase in provisions	(1,051)	1,518
(Decrease)/increase in other liabilities	(342)	1,816
Increase/(decrease) in deferred revenue	24,163	(2,434)
Increase/(decrease) in financing costs payable	112	(37)
Net cash provided by operating activities	176,367	171,369

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST or equivalent tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows.

For personal use only

SECTION 7 – OTHER INFORMATION

7.3 – AUDITORS' REMUNERATION	2020 $	2019 $
Audit services:		
Auditors of the Group – KPMG Australia		
Audit and review of financial statements	1,276,000	1,211,000
Other assurance services	168,118	198,030
Overseas KPMG firms		
Audit and review of financial statements	346,033	431,000
Other assurance services	–	130,293
	1,790,151	1,970,323
Other auditors		
Audit and review of financial statements	49,550	61,841
Other assurance services	2,600	–
	52,150	61,841
	1,842,301	2,032,164
Other services:		
Auditors of the Group – KPMG Australia		
Tax compliance and advice	160,995	233,796
Segment disposal – tax advice	86,877	617,102
Other services	187,728	220,000
	435,600	1,070,898
Overseas KPMG firms		
Tax compliance and advice	348,708	424,732
Other auditors		
Tax compliance and advice	–	–
Other services	25,750	11,667
	25,750	11,667
	810,058	1,507,297

For personal use only

SECTION 7 – OTHER INFORMATION

7.4 – PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended, 30 June 2020, the parent entity of the Group was EVENT Hospitality & Entertainment Limited.

	2020 $'000	2019 $'000
Results of parent entity		
Profit for the year	15,288	68,446
Other comprehensive income for the year	(994)	(974)
Total comprehensive income for the year	14,294	67,472
Financial position of parent entity at year end		
Current assets	2,098	1,630
Total assets	303,335	396,401
Current liabilities	5,856	28,576
Total liabilities	6,063	28,863
Net assets	297,272	367,538
Total equity of parent entity comprises:		
Share capital	219,126	219,126
Financial assets revaluation reserve	12,536	12,536
Share-based payments reserve	34,769	36,501
Retained earnings	30,841	99,375
Total equity	297,272	367,538

Parent entity contingencies

Controlled entities

The Company has guaranteed the obligations of some subsidiary entities in respect of a number of operating lease commitments. Operating lease commitments of subsidiary entities that have been guaranteed are due:

	2020 $'000	2019 $'000
Not later than one year	60,043	60,029
Later than one year but not later than five years	107,301	99,730
Later than five years	120,347	114,087
	287,691	273,846

Joint ventures and joint operations

The Company has guaranteed the obligations of some joint ventures and joint operations in respect of a number of operating lease commitments. Operating lease commitments of joint ventures and joint operations are due:

	2020 $'000	2019 $'000
Not later than one year	40,354	41,212
Later than one year but not later than five years	138,453	108,314
Later than five years	191,876	162,471
	370,683	311,997
	658,374	585,843

Parent entity guarantees

Subsidiaries

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of most of its Australian incorporated subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 7.6.

Bank debt facilities

The Company is a guarantor under the Group's secured bank debt facilities, as disclosed in Note 4.4.

For personal use only

SECTION 7 – OTHER INFORMATION

7.5 – EVENTS SUBSEQUENT TO REPORTING DATE

On 3 July 2020, the Group's secured bank debt facilities were increased, amended and restated. The Group's debt facilities were increased from $545 million to $750 million. Details regarding the Group's secured bank debt facilities are as disclosed in Note 4.4.

On 21 July the Australian government announced the extension of the JobKeeper payment for a further six months until 28 March 2021 for those companies who continue to be significantly impacted by COVID-19. The New Zealand government has also announced Resurgence Wage Subsidy payments relating to the resurgence of COVID-19. The Group expects that relevant businesses in Australia and New Zealand will be eligible for the extension and resurgence arrangements.

On 2 August 2020, the Victorian government initiated COVID-19 Stage 4 restrictions within metropolitan Melbourne and, on 6 August 2020, COVID-19 Stage 3 for regional Victoria. The Queensland government has also announced the temporary reclosing of the Queensland border to residents of New South Wales and the Australian Capital Territory. On 12 August 2020, the New Zealand government reinstated COVID-19 Alert Level 3 for the Auckland region and the rest of New Zealand moved into COVID-19 Alert Level 2. These actions have had an adverse impact on the Group's operations and revenues however the restructure and cost saving measures implemented pre COVID-19 are expected to withstand a prolonged COVID-19 impact and long recovery period and the above restrictions are considered to be temporary setbacks that will not significantly or materially impact its current COVID-19 forecast range.

On 21 August 2020, the Group announced that the German Federal Cartel Office ("FCO") had provided an extension of time for the satisfaction of its conditions in relation to the sale of the Group's German cinema exhibition division, CineStar. The Transaction was conditionally approved by the FCO subject to the divestment of six sites to FCO approved purchasers within a six-month period. A sale has been completed in respect of one of these six sites and the FCO has provided an extension of time for satisfaction of its conditions in respect of the remaining five divestment sites until 13 November 2020 and a sales process is ongoing. Further details are disclosed in Note 2.4.

On 31 August 2020, the directors resolved that no final dividend be declared for the year ended 30 June 2020.

For personal use only

For personal use only

7.6 – DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the deed is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the deed are:

Atura Hotels and Resorts Pty Limited
Birch, Carroll & Coyle Limited
Bryson Hotel Pty Limited
Canberra Theatres Limited
Edge Digital Technology Pty Limited
Elsternwick Properties Pty Limited
Event Cinema Entertainment Pty Limited
Event Cinemas (Australia) Pty Limited
Event Hotels and Resorts Pty Limited
Glenelg Theatres Pty Limited
Greater Entertainment Pty Limited
Greater Occasions Australia Pty Limited
Greater Union International Holdings Pty Limited
Greater Union Nominees Pty Limited
Greater Union Screen Entertainment Pty Limited
Greattheatre Pty Limited
GUO Investments (WA) Pty Limited
Gutace Holdings Pty Limited
Haparanda Pty Limited
Haymarket's Tivoli Theatres Pty Limited
Kidsports Australia Pty Limited
Kosciuszko Thredbo Pty Limited
Kvarken Pty Limited
Lakeside Hotel Pty Limited
Mamasa Pty Limited
Noahs Limited
Northside Gardens Hotel Pty Limited
Pantami Pty Limited
203 Port Hacking Road Pty Limited
QT Hotels and Resorts Pty Limited
QT Resort Port Douglas Pty Limited
RQ Motels Pty Limited
Rydges Bankstown Pty Limited
Rydges Cronulla Pty Limited
Rydges Hotels Limited
Sonata Hotels Pty Limited
Tannahill Pty Limited
The Geelong Theatre Company Limited
The Greater Union Organisation Pty Limited
Thredbo Resort Centre Pty Limited
Tourism & Leisure Pty Limited
Western Australia Cinemas Pty Limited
Zollverein Pty Limited.

A consolidated Statement of Comprehensive Income and a consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the deed, for the year ended, and as at, 30 June 2020 respectively are set out on the following page:

SECTION 7 – OTHER INFORMATION

7.6 – DEED OF CROSS GUARANTEE (continued)	2020 $'000	2019 $'000
Statement of Comprehensive Income		
(Loss)/profit before tax	(22,573)	125,421
Income tax benefit/(expense)	4,867	(38,511)
(Loss)/profit for the year	(17,706)	86,910
Retained earnings at the beginning of the year	598,544	595,238
Adjustment to retained earnings	(53,874)	127
Dividends paid	(83,822)	(83,731)
Retained earnings at the end of the year	443,142	598,544
Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	45,690	31,335
Trade and other receivables	36,205	32,062
Inventories	15,874	16,338
Prepayments and other current assets	7,058	8,629
Total current assets	104,827	88,364
Non-current assets		
Trade and other receivables	543	1,542
Loans to controlled entities	197,697	168,384
Other financial assets	1,083	1,086
Other investments	78	78
Investments in controlled entities	71,227	71,227
Investments accounted for using the equity method	6,495	7,220
Property, plant and equipment	1,002,957	1,030,665
Right-of-use assets	477,416	–
Investment properties	74,550	76,200
Goodwill and other intangible assets	66,094	65,042
Deferred tax assets	57,875	28,850
Other non-current assets	1,581	1,663
Total non-current assets	1,957,596	1,451,957
Total assets	2,062,423	1,540,321
LIABILITIES		
Current liabilities		
Trade and other payables	64,369	57,644
Other loans and borrowings	488,300	–
Current tax liabilities	6,585	30,528
Provisions	15,884	18,484
Deferred revenue	74,147	50,806
Lease liabilities	73,662	–
Other current liabilities	2,481	3,403
Total current liabilities	725,428	160,865
Non-current liabilities		
Loans from controlled entities	123,689	113,698
Other loans and borrowings	859	377,154
Provisions	10,285	9,765
Deferred revenue	8,863	8,611
Lease liabilities	480,748	–
Other non-current liabilities	3,573	3,900
Total non-current liabilities	628,017	513,128
Total liabilities	1,353,445	673,993
Net assets	708,978	866,328
EQUITY		
Share capital	219,126	219,126
Reserves	46,710	48,658
Retained earnings	443,142	598,544
Total equity	708,978	866,328

For personal use only

DIRECTORS' DECLARATION

1. In the opinion of the directors of EVENT Hospitality & Entertainment Limited:

   (a) the consolidated financial statements and notes that are set out on pages 35 to 107 and the Remuneration Report in the Directors' Report set out on pages 21 to 33, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 7.6 to the financial statements will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3. The directors have received the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Director Finance & Accounting for the year ended 30 June 2020.

4. The directors draw attention to Note 1.2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

AG Rydge
Director

JM Hastings
Director

Dated at Sydney this 31st day of August 2020.

For personal use only

For personal use only

KPMG

Independent Auditor's Report

To the shareholders of Event Hospitality & Entertainment Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Event Hospitality & Entertainment Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2020;
- Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Asset valuation – Hotel and Cinema Property, Plant and Equipment Assets; and
- Accounting for leases, including the adoption of AASB 16 Leases

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Asset Valuation – Hotel and Cinema Property, Plant and Equipment Assets ($1,253m)

Refer to Note 3.3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
This is a key audit matter due to: • the significant value of the property, plant and equipment (being 46% of total assets); • the high level of judgement required by us in assessing the significant judgements used by the Group to assess the appropriateness of the carrying value of property, plant and equipment; and • higher estimation uncertainty from the continuing business disruption caused by the COVID-19 global pandemic. There are a number of judgements made by the Group and their external independent valuation experts when estimating the recoverable value of these assets. Some are more complex as they are dependent on assumptions about the future, such as revenue and cost growth rates and discount rates. These forward-looking estimations and the current market conditions increase the range of possible outcomes and the complexity. The Group uses a combination of external valuation experts, who are engaged every three years to value owned properties, and internal analysis to determine asset valuations. Cinemas were last externally valued at 30 June 2018. Three hotels were externally valued at 30 June 2020, with the remaining hotels having been externally valued at 30 June 2018.	Our procedures included: • assessing the methodology used by the Group in the context of requirements of the Australian Accounting Standards; • meeting with management and those charged with governance to understand the impact of COVID-19 to the Group, including potential future impacts; • for cinemas we: - assessed each cash generating unit (CGU) for indicators of impairment based on business performance; - analysed the discounted cash flow model and the recoverable value for CGUs with indicators of impairment; - assessed the mathematical accuracy of the cash flow model where a value-in-use model was prepared; - assessed the basis for the cash flow forecast including the lease terms and the consideration of the historical accuracy of previous forecasts; - compared amounts in the cash flow model to Board approved budgets; - assessed the basis for the recoverable amount calculation where the 2018 external valuation was adjusted to arrive at an internal valuation as at 30 June 2020;

KPMG

The key audit matter	How the matter was addressed in our audit
Internal analysis was prepared by the Group to assess for indicators of impairment to cinema and hotel cash generating units (CGUs). Where an indicator of impairment was present the Group calculated its recoverable value and compared it to its carrying amount. The recoverable amount was determined using either an external valuation or an internally prepared value-in-use model.	- engaged our property specialists to assess the adjustment to the 2018 valuations; - engaged our corporate finance specialists to analyse the discount and growth rates; - performed sensitivity analysis over the discount rate and growth rate in the cash flow model; - recalculated the impairment charge against the recorded amount disclosed; • for hotels we: - assessed each cash generating unit (CGU) for indicators of impairment based on the 2018 external property valuation adjusted for an estimated market reduction of 10% to 25%; - agreed the recoverable amount for CGUs with indicators of impairment to the 30 June 2020 external valuation report; - assessed the scope, competence and objectivity of external valuation experts engaged by the Group for assets valued by external valuation experts and engaged our property specialists to analyse the 30 June 2020 external valuations; - recalculated the impairment charge against the recorded amount disclosed; and • evaluating the adequacy of the related disclosures in the financial report, including those made with respect to judgements and estimates.

For personal use only

For personal use only

Accounting for leases, including the adoption of AASB 16 Leases - Right-of-use asset – $605m, lease liability – $691m and adjustment to opening retained earnings – ($60m)

Refer to Note 3.8 to the Financial Report

The key audit matter

Accounting for leases using AASB 16 *Leases* ("AASB 16") is a key audit matter due to the Group's significant number of lease commitments and as it is inherently complex and specific, with individualised lease-features driving different accounting outcomes, increasing the need for interpretation, judgement and audit effort.

We focused on:

- first time adoption – the Group was required to determine interpretations for AASB 16 new and complex accounting requirements for the first time in the year, including new accounting policies. Interpreting an accounting standard to existing businesses and practices is more challenging in its first year of existence. This necessitated the involvement of our accounting specialists;
- high volume of leases – the Group has a high volume of individualised lease agreements used to estimate the lease liability and right-of-use asset. A focus for us was the completeness of the lease population and the accuracy of multiple and varied inputs which may drive different accounting outcomes, including key terms of the lease agreements, such as key dates, fixed and variable rent payments, incentives and renewal options or holdover clauses; and
- relative magnitude – the size of balances has a significant financial impact on the Group's financial position and performance.

How the matter was addressed in our audit

Our procedures included:

- working together with our accounting specialists, we considered the appropriateness of the Group's new accounting policies against the requirements of the accounting standard and our understanding of the business;
- we assessed the completeness of the Group's leases taking into consideration the selected transition approach and practical expedients upon adoption by the Group by:
  - inquiring with the Group to understand their process to compile the Group's listing of leases;
  - inspecting a sample of lease agreements entered into by the Group and comparing these to the Group's listing of leases;
  - checking the Group's listing of leases to the items included in the operating lease commitments disclosure in the prior year's financial report;
  - inspecting relevant expense accounts for routine payments during the year to identify the existence of leases not included in the Group's listing of leases;
- we compared the Group's inputs in the AASB 16 lease calculation model, such as key dates, fixed and variable rent payments, incentives and renewal options for consistency with the relevant terms of a sample of underlying source documents, including signed lease agreements and lessor's invoices. We also compared the index used by the Group in computing the variable rent payments to the Australian consumer price index;

For personal use only

The key audit matter	How the matter was addressed in our audit
The most significant areas of judgment we focused on were in assessing the Group's: • incremental borrowing rates used – these reflect the Group's entity specific credit risk and vary based on each lease term. The Group engaged an external expert to assist with determining each of the Group's incremental borrowing rates. The Group's AASB 16 lease calculation model is sensitive to small changes in the incremental borrowing rates; and • lease terms where leases have renewal options or holdover clauses and assessing the probability of exercising the renewal options to determine each lease term impacts the measurement of the lease, therefore is critical to the accuracy of the accounting. We involved our senior audit team members in assessing this key audit matter, along with our accounting specialists and debt advisory specialists.	• we assessed the Group's determination of lease terms based on the probability of the Group exercising the lease renewal options. We compared key management decisions for consistency to board approved plans, strategies and past practices; • working together with our debt advisory specialists, we independently developed a series of point estimates for the incremental borrowing rates applied to the leases. We then compared those to the incremental borrowing rates applied by the Group; • for a sample of leases, we recalculated the amount of lease liability, right-of-use asset, depreciation and interest expense, and retained earnings impact relevant to this financial year and compared our recalculated amounts against the amounts recorded by the Group; • we assessed the accounting treatment applied in respect to sub-lease arrangements against the requirements of the accounting standard; and • we assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

Other Information

Other Information is financial and non-financial information in Event Hospitality & Entertainment Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

For personal use only

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

For personal use only

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Event Hospitality & Entertainment Limited for the year ended 30 June 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 21 to 33 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Tracey Driver

Partner

Sydney

31 August 2020