EVENT

HOSPITALITY & ENTERTAINMENT

EVENT Hospitality & Entertainment Limited

Financial Results
For the half year ended 31 December 2019

This half year report is presented under listing rule 4.2A and should be read in conjunction with the EVENT Hospitality & Entertainment Limited 2019 Annual Report.

ASX code:	EVT
Released:	20 February 2020
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	David Stone (Company Secretary)

EST 1910

APPENDIX 4D
HALF YEARLY REPORT
RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the half year ended 31 December 2019
(previous corresponding period: half year ended 31 December 2018)

Key Information

				2019 A$'000	2018 A$'000
Revenue and other income from continuing operations	Up	0.1%	to	526,090	525,398
Revenue and other income from discontinued operations	Up	19.7%	to	177,074	147,892
Total revenues and other income	Up	4.4%	to	703,164	673,290
Profit from continuing operations before individually significant items, net finance costs and income tax expense	Up	8.4%	to	**95,306**	**87,935**
Net finance costs from continuing operations				(13,684)	(4,533)
Profit from continuing operations before individually significant items and income tax expense	Down	2.1%	to	**81,622**	**83,402**
Individually significant items from continuing operations				(556)	5,367
Profit from continuing operations before income tax expense	Down	8.7%	to	**81,066**	**88,769**
Discontinued operations profit before income tax				48,454	4,040
Profit before income tax expense	Up	39.6%	to	**129,520**	**92,809**
Income tax expense from continuing operations				(21,968)	(23,738)
Income tax expense from discontinued operations				(13,915)	(1,547)
Profit for the period attributable to members of the parent entity	Up	38.7%	to	**93,637**	**67,524**

Dividends (distributions)		Amount per security	Franked amount per security
Final dividend	– 2019 (paid 19 September 2019)	31 ¢	31 ¢
Interim dividend	– Current year	21 ¢	21 ¢
	– Previous corresponding period	21 ¢	21 ¢

Record date for determining entitlements to the dividend	5 March 2020
Date of interim dividend payment	19 March 2020

Explanation of Revenue
See attached annexure and the Directors' Report.

Explanation of Profit from Ordinary Activities after Tax
See attached annexure and the Directors' Report.

Explanation of Net Profit
See attached interim consolidated financial report.

Explanation of Dividends
See attached interim consolidated financial report.

Net Tangible Asset Backing

	December 2019	December 2018
Net tangible asset backing per share	$6.40	$6.36

Controlled Entities Acquired or Disposed of
See attached interim consolidated financial report.

Additional Dividend Information
See attached interim consolidated financial report.

Dividend Re–Investment Plans
The Dividend Re–Investment Plan ("DRP") was suspended in August 2010 and will not operate for the 2020 interim dividend.

Associates and Joint Venture Entities
See attached interim consolidated financial report.

Compliance Statement
The information provided in this report has been prepared in accordance with Australian Accounting Standards, the *Corporations Act 2001* and other standards acceptable to the ASX.

The attached interim consolidated financial report for EVENT Hospitality & Entertainment Limited has been subject to review by its auditors, KPMG. A copy of the independent auditor's review report to the members of EVENT Hospitality & Entertainment Limited is attached.

REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

A summary of the normalised result is outlined below:

	31 December 2019		31 December 2018		31 December 2017	
CONSOLIDATED GROUP RESULT	**Normalised result* $'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						
Entertainment	29,766	29,766	30,437	30,437	27,484	27,484
Hospitality						
Hotels and Resorts	34,838	34,838	35,394	35,394	36,449	36,449
Leisure						
Thredbo Alpine Resort	25,091	25,091	25,813	25,813	24,196	24,196
Property and Other Investments	6,478	6,478	7,071	7,071	6,856	6,856
Unallocated revenues and expenses	(10,154)	(10,154)	(10,780)	(10,780)	(8,683)	(8,683)
	86,019	**86,019**	**87,935**	**87,935**	**86,302**	**86,302**
Net impact of AASB 16 *Leases*	(696)	(696)	—	—	—	—
	85,323	**85,323**	**87,935**	**87,935**	**86,302**	**86,302**
Finance revenue	168	168	249	249	248	248
Finance costs (excluding AASB 16)	(3,869)	(3,869)	(4,782)	(4,782)	(3,069)	(3,069)
	81,622	**81,622**	**83,402**	**83,402**	**83,481**	**83,481**
Income tax expense	(24,700)	(24,700)	(23,627)	(23,627)	(26,081)	(26,081)
Profit from continuing operations	**56,922**	**56,922**	**59,775**	**59,775**	**57,400**	**57,400**
Individually significant items – net of tax		2,176		5,256		872
Discontinued operations – net of tax**		34,539		2,493		8,662
Reported net profit		**93,637**		**67,524**		**66,934**

* Normalised result is profit for the period from continuing operations before individually significant items (as outlined in Note 4 to the interim consolidated financial report) and excluding the impact of AASB 16 *Leases*. As outlined in Note 2 to the interim consolidated financial report, this measure is used by the Group's Chief Executive Officer to allocate resources and in assessing the relative performance of the Group's operations. The normalised result is an unaudited non–IFRS measure.

** The discontinued operations result is in respect of Entertainment Germany and includes a net increase in profit of $18,308,000 relating to the impact of AASB 16 *Leases* (see note 1). This is further impacted by the requirement under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* not to charge depreciation or amortisation following the classification of a division as held for sale. Adjusting for these items, the normalised profit before income tax for Entertainment Germany was $16,285,000 (2018: $2,074,000) and the net profit after income tax expense for Entertainment Germany was $12,399,000 (2018: $989,000).

Reported net profit after income tax and discontinued operations was $93,637,000 (2018: $67,524,000), $26,113,000 or 38.7% above the prior comparable half year. The normalised result before interest, the net impact of AASB 16 *Leases*, and income tax expense was $86,019,000 (2018: $87,935,000), $1,916,000 or 2.2% below the prior comparable half year, and the normalised result after tax was $56,922,000 (2018: $59,775,000), $2,853,000 or 4.8% below the prior comparable half year.

The result was impacted by a reduction in Entertainment gift card breakage revenue related to the legislated change in expiry dates of gift cards from one to three years, the comparative impact of AASB 15 *Revenue*, the cessation in virtual print fee income in New Zealand, and the partial closure in March 2019 of Rydges Queenstown. After adjusting for these items, revenue for the Group was up 2.9% and normalised profit before interest and income tax expense was up 3.3%.

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 comparable half year period 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 half year ended 31 December 2019 was a reduction in profit of $696,000.

Further details of this change in accounting policy are disclosed in Note 1 to the interim consolidated financial report.

Discontinued operation – CineStar Germany

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. The sale includes an upfront payment of €130 million (A$209 million) and variable consideration of €56.9 million (A$92 million) based upon German market admissions for the 2019 calendar year. FCO proceedings are in progress and the Group is confident that a conditional clearance decision will be granted in late February or March 2020.

Individually significant items – continuing operations

Individually significant items comprised the following:

	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000
Reversal of impairment charges booked in previous years	2,219	9,144	—
Legal and other costs associated with the sale of a business segment	(1,497)	—	—
Hotel and cinema pre-opening costs	—	(2,608)	(334)
Other (expense)/income (net)	(1,278)	(1,169)	1,580
Individually significant items (expense)/benefit before income tax	(556)	5,367	1,246
Income tax benefit/(expense)	2,732	(111)	(374)
Individually significant items income after income tax	2,176	5,256	872

REVIEW OF OPERATIONS

Entertainment Group

On a consolidated basis, revenue for the Entertainment Group (Australia and New Zealand) increased 5.0% on the prior comparable half year to $272.3 million, EBITDA was down 1.8% to $46.6 million and normalised profit before interest and tax was down 2.2% to $29.8 million.

Adjusting for the impact of the reduced gift card breakage revenue related to the legislated change in expiry dates of gift cards from one to three years, the impact of AASB 15 *Revenue*, and the decrease in virtual print fee income in New Zealand, Entertainment Group revenue increased 6.1%, EBITDA increased 4.0% and normalised profit before interest and tax increased 7.4%.

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

Entertainment Australia

Revenue increased 2.9% on the prior comparable half year to $223.2 million, consistent with overall growth in the Australian National Box Office of 2.4%. Adjusting for the impact of the reduced gift card breakage revenue related to the legislated change in expiry dates of gift cards from one to three years and the impact of AASB 15 *Revenue*, revenue increased 4.0%.

Within the top 50 films, which represent 88% of box office, there was a lack of action adventure films with the line-up skewed toward more family titles, including the number one title *The Lion King*, and adult dramas, including the number two title *Joker*. Pleasing growth in market share from family titles (up 0.5 percentage points) and adult drama (up 0.2 percentage points) was achieved.

After a strong first quarter for the Australian Box Office, second quarter was down 5% ($16 million). This was primarily due to the November film line up not being able to exceed the breakout success in the prior year comparable period of *Bohemian Rhapsody* and *A Star is Born*. Titles that grossed over $30 million at the Australian Box Office during the half year included: *The Lion King* ($64.0 million); *Joker* ($40.5 million); *Spider-Man: Far from Home* ($37.3 million); *Star Wars: The Rise of Skywalker* ($33.7 million); and *Frozen 2* ($32.6 million). These top five titles collectively grossed $208.1 million, an increase of 43.1% on the top five grossing titles from the prior comparable half year.

Average admission price increased 3.6% as a result of targeted demand pricing and more customers choosing to see a film in one of the Group's premium cinemas, with the premium contribution up 1.4% points on the prior half year period. Given the increased number of admits to family films during the period, attracting a more price sensitive market, this was a pleasing result.

Merchandising spend per customer increased 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 five record months of merchandising spend during the period.

Strong growth in online revenue continues, up 18%. Importantly, direct customer relationships are exceptionally strong with Cinebuzz representing more than 68% of cinema visits and more than 85% of online transactions. The power of a direct relationship with more than 2.2 million active customers increases our ability to influence customer spend.

EBITDA was $38.4 million, 5.7% below the prior comparable half year, and normalised profit before interest and tax, was $24.5 million, 7.1% below the prior comparable half year. This result was impacted by a reduction in gift card breakage revenue of $2.1 million principally related to the legislated change in expiry dates of gift cards from one to three years, and adjusting for this impact the normalised profit before interest and tax was up 1.0% on the prior comparable half year period.

During the period the Group made good progress on the strategy of targeted investment in premium and value cinemas. A number of screens were refurbished, with the Group's Future of Cinema concepts implemented to generate greater returns from cinema spaces. Three locations were upgraded with the new three-seat format of daybeds, reclining seats and premium fixed back seating delivering growth in key metrics. 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%. Auditoriums at Pacific Fair, Parramatta and Chermside were converted to 4DX. The first 'BCC Recline' auditorium (an auditorium with full recliner seating) was installed at Toombul. 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. In addition, daybeds were introduced to Vmax auditoriums at 13 of the circuit's most profitable sites. Early results are very pleasing with all key metrics performing above expectations. These new concepts will be included where relevant, in future cinema upgrades.

In addition, as part of the continuing strategy to improve our asset portfolio, the Group closed Mackay City cinema (5 screens) in December 2019. This site had been underperforming for a number of years.

Screen upgrades (with new concepts) to commence in the second half include Toowoomba, George Street, Robina, Macarthur, Shellharbour and Chermside.

Entertainment New Zealand

New Zealand Entertainment revenue was $49.1 million or 15.7% above the prior year. New Zealand Nationwide Box Office increased by 4.6% and the Group outperformed the market with box office revenue up 16.9%. Adjusted for the reduction in virtual print fee income, New Zealand Entertainment revenue was up 17.0%. The Group's market share increased by 3.7 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.

The five highest-grossing titles within the New Zealand market included: *The Lion King* (NZ$12.6 million), *Spider-Man: Far from Home* (NZ$5.5 million); *Frozen 2* (NZ$5.2 million); *Star Wars: The Rise of Skywalker* (NZ$5.1 million) and *Joker* (NZ$4.8 million). These five titles achieved a combined total of NZ$33.2 million compared to the top five titles in the prior year which collectively grossed NZ$27.9 million.

Average admission price increased by 10.3% 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 5.9%, 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 a 17% growth in active membership and now represents approximately 64% of all transactions. Online booking fee revenue increased 51% over the prior comparable period.

During the half year the Group completed upgrades to a number of cinemas in Auckland: at Event Cinemas Queen Street and Westgate, new seating concepts and foyer area upgrades were undertaken, works at Westgate were completed in December 2019 and Queen Street will be complete by March 2020. Event Cinemas in Albany and Manukau each had two traditional cinemas converted to the new three-seat Vmax concept with these new auditoriums opened in late December 2019. Seating and foyer upgrade works were also completed at the regional location of Whangarei in December 2019. Initial results are positive with the refurbished auditoriums delivering higher occupancy and yields.

During the period, the VPF agreements with the major distributors concluded, resulting in the virtual print fee revenue decreasing by $456,000. EBITDA was $8,230,000, 22.3% above the prior year and the normalised profit before interest and income tax expense of $5,221,000 was up 29.6%, a record result for the New Zealand circuit. Adjusted for the reduction in virtual print fees, EBITDA was up 32.3% and the normalised profit before interest and income tax expense was up 49.3%.

Under construction and due to open in March 2020 is a new cinema complex in Newmarket, Auckland which will incorporate the Group's new Boutique premium cinema concept, two three-seat Vmax concept auditoriums and three traditional cinemas with two seating configurations.

Discontinued operation – Entertainment Germany

As noted above, this division has been presented as a discontinued operation in the income statement for the half year ended 31 December 2019.

The reported net profit after income tax from Entertainment Germany was $34,539,000, an increase of $32,046,000 above the prior half year period. The result included a net increase in profit after income tax of $18,308,000 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 Discontinued Operations* not to charge depreciation or amortisation following the classification of a division as held for sale. Adjusting for these two items, the normalised profit before income tax was $16,285,000 (2018: $2,074,000) and the net profit after income tax expense was $12,399,000 (2018: $989,000).

Profit before interest, income tax expense and individually significant items was $49,024,000, an increase of $44,802,000 above the prior half year period.

The overall German market experienced a strong recovery with German market admissions up 22.3%. The prior half year period was impacted by the disruption caused by the FIFA World Cup, and an extended summer with record warm weather.

The highest grossing titles within the German market included: *Frozen 2* (5.6 million admissions); *The Lion King* (5.5 million admissions); *Das Perfekte Geheimnis* (4.5 million admissions); *Joker* (4.0 million admissions); and *Star Wars: The Rise of Skywalker* (3.7 million admissions). The top ten films achieved total market admissions of 32.6 million and 70.0% above the top ten films of the prior year comparative period which achieved 19.1 million admissions.

Spend metrics for the circuit were all favourable with average admission price up 0.8%, merchandising spend per head up 8.7% and tickets booked online up 5.5 percentage points. Given that animated family films represented 29.3% of the total admissions (2018: 15.4%) which attracts a more price sensitive market, this was a very pleasing result. Costs were well managed and all variable costs were flexed to respond to the variation in admission levels throughout the period.

Hospitality and Leisure

Hotels and Resorts

Overall Hotels and Resorts revenue was $177.3 million, a decrease of 1.9% on the prior comparable half year period. The closure of two accommodation wings within Rydges Queenstown in March 2019 due to seismic rating issues which are now pending redevelopment, negatively impacted comparisons. Adjusted for the partial closure of Rydges Queenstown, revenue decreased 0.4% on the prior comparable period.

Nationwide market conditions weakened across several key locations including Sydney, Melbourne, Canberra, Cairns, Gold Coast, Wellington, Rotorua and Queenstown. Despite this, occupancy across the Group's owned hotels increased by 3.5 percentage points whilst rate held steady with the prior comparable period. Pleasingly, all Brands contributed to occupancy growth with Rydges, QT and Atura up 2.6, 4.3 and 5.8 occupancy points respectively. Average daily room rate also increased across the QT and Atura portfolio, with a marginal decline from the owned Rydges portfolio.

Many of the hotels across the Group outperformed their respective markets. Growth was also achieved from QT Perth (opened August 2018) and Atura Adelaide Airport (opened September 2018). Conversely, weakening demand negatively impacted results from a few of the older owned Rydges Hotels. This was particularly the case in North Sydney and Western Sydney, where new supply combined with fewer major events had an impact on trading conditions. The Group's strategy of upgrading the older owned hotels has commenced with significant refurbishments underway at QT Gold Coast and Rydges Geelong and a soft refurbishment has also been completed at QT Sydney.

Costs were well controlled with a marginal reduction in payroll costs driving an improved margin. EBITDA was $49.0 million, 1.1% below the prior comparable half year, and normalised profit before interest and income tax expense was $34,838,000, a decrease of $556,000 or 1.6% below the prior comparable half year. Adjusted EBITDA increased 3.0% over the prior comparable period, whilst adjusted normalised profit before interest and income tax expense increased 4.4%, a pleasing result in a very competitive market.

Consistent with the Group's strategy of divesting underperforming assets, Rydges Townsville was sold in December. This hotel has been retained within the Rydges network under a brand license agreement. The Powerhouse Tamworth by Rydges and The Powerhouse Armidale by Rydges also joined the Group in July 2019 under brand license agreements. A new management agreement was executed for the property formerly branded as Holiday Inn at The Rocks, which joined the Group in January 2020 as Rydges Sydney Harbour.

Thredbo Alpine Resort

Revenue was $63.3 million, 0.2% above the prior comparable half 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 half year.

Revenue from summer operations continues its strong growth trend driven mainly by Mountain Biking visitation with a 36% increase in mountain biking revenue in November and December 2019 over the prior comparable period.

EBITDA was $28.6 million, 2.2% below the prior comparable half year, and the normalised profit before income tax expense was $25,091,000, 2.8% below the prior comparable half year record result.

Infrastructure development has commenced to allow Thredbo to increase capacity and continue to improve the skier experience. Construction of the new Merritts Gondola commenced in October and is on track for completion for the 2020 snow season. To complement this, improvements have been made to widen and enable snow making on the Dream Run slope to provide a better skier experience. The building of 75 new car parking spaces at Friday Flat commenced in late December 2019 and the expansion of the mountain bike trail network continued with the new Flow Trail 'Ricochet' completed in December 2019.

Property and Other Investments

The normalised profit before interest and income tax expense was $6,478,000 a decrease of $593,000 or 8.4% below the prior comparable half year. The prior half year included dividend income of $441,000 from shareholdings that were sold in March 2019, and adjusting for this dividend income the Property and Other Investments result was down 2.3%.

The result included a fair value increment of the investment properties of $1,293,000, up $143,000 on the prior year (half year ended 31 December 2018: fair value increment of $1,150,000). Rental income was consistent with the prior comparable half year.

Unallocated revenues and expenses

Unallocated revenues and expenses, which include the Group's corporate operations and various head office expenses, were 5.8% below the prior comparable half year due to transformation initiatives and favourable variances including adjustments in relation to the Group's incentive plans.

EVENT HOSPITALITY & ENTERTAINMENT LIMITED

INTERIM CONSOLIDATED FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

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EVENT HOSPITALITY & ENTERTAINMENT LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

The directors present their report together with the interim consolidated financial report for the half year ended 31 December 2019 and the independent auditor's review report thereon.

Directors
The directors of the Company at any time during or since the end of the half year period are:

Name	**Period of directorship**
AG Rydge (Chairman)	Director since 1978
JM Hastings (Chief Executive Officer)	Director since 2017
RG Newton	Director since 2008
PR Coates *AO*	Director since 2009
KG Chapman	Director since 2010 (resigned 27 August 2019)
VA Davies	Director since 2011
DC Grant	Director since 2013
PM Mann	Director since 2013

Review of operations
The review and results of operations are set out in the Annexure to the Appendix 4D.

Dividend
On 20 February 2020 the directors declared an interim dividend of $33,851,059 (21 cents per share).

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001*
The lead auditor's independence declaration is set out on page 13 and forms part of the directors' report for the half year ended 31 December 2019.

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 20th day of February 2020.

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 review of EVENT Hospitality & Entertainment Limited for the half-year ended 31 December 2019 there have been:

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

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

KPMG	Tracey Driver
	Partner
	Sydney
	20 February 2020

EVENT HOSPITALITY & ENTERTAINMENT LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 Dec 2019 $'000	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		72,531	71,925
Trade and other receivables		66,682	53,605
Inventories		20,929	18,474
Prepayments and other current assets		11,295	10,840
Assets held for sale	5	432,923	144,665
Total current assets		604,360	299,509
Non–current assets			
Trade and other receivables		1,543	1,542
Other financial assets		1,086	1,086
Available–for–sale financial assets		78	78
Investments accounted for using the equity method	8	11,159	11,113
Property, plant and equipment	9	1,301,506	1,276,309
Right-of-use assets	15	558,049	–
Investment properties		77,500	76,200
Goodwill and other intangible assets	10	91,789	93,324
Deferred tax assets		37,251	25,337
Other non–current assets		2,082	1,906
Total non–current assets		2,082,043	1,486,895
Total assets		2,686,403	1,786,404
LIABILITIES			
Current liabilities			
Trade and other payables		97,022	84,622
Loans and borrowings	11	404,583	–
Current tax liabilities		25	25,688
Provisions		20,949	20,335
Deferred revenue		65,387	55,648
Lease liabilities	15	75,964	–
Other current liabilities		5,183	4,119
Liabilities held for sale	5	305,022	50,289
Total current liabilities		974,135	240,701
Non–current liabilities			
Loans and borrowings	11	859	377,154
Deferred tax liabilities		10,509	11,988
Provisions		10,540	10,634
Deferred revenue		8,605	8,611
Lease liabilities	15	552,194	–
Other non–current liabilities		5,688	5,848
Total non–current liabilities		588,395	414,235
Total liabilities		1,562,530	654,936
Net assets		1,123,873	1,131,468
EQUITY			
Share capital	12	219,126	219,126
Reserves	13	71,243	73,945
Retained earnings		833,504	838,397
Total equity		1,123,873	1,131,468

The Statement of Financial Position is to be read in conjunction with the condensed notes to the interim consolidated financial report on pages 19 to 44.

EVENT HOSPITALITY & ENTERTAINMENT LIMITED AND ITS CONTROLLED ENTITIES
INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	31 Dec 2019 $'000	31 Dec 2018 $'000
Continuing operations			
Revenue and other income			
Revenue from sale of goods and rendering of services	3	508,076	498,243
Other revenue and income	3	18,014	27,155
		526,090	525,398
Expenses			
Employee expenses		(143,541)	(146,473)
Occupancy expenses		(44,062)	(80,243)
Film hire and other film expenses		(74,055)	(69,197)
Purchases and other direct expenses		(50,376)	(47,403)
Amortisation and depreciation		(67,555)	(36,158)
Other operating expenses		(35,507)	(35,895)
Advertising, commissions and marketing expenses		(16,190)	(16,751)
Finance costs		(13,852)	(4,783)
		(445,138)	(436,903)
Equity profit			
Share of net profit of equity accounted investees	14	114	274
Profit before income tax expense	4	81,066	88,769
Income tax expense	7	(21,968)	(23,738)
Profit after tax from continuing operations		59,098	65,031
Discontinued operations			
Profit after tax from discontinued operations	5	34,539	2,493
Profit for the period		93,637	67,524

	31 Dec 2019 Cents	31 Dec 2018 Cents
Earnings per share		
Basic earnings per share		
Continuing operations	36.7	40.5
Discontinued operations	21.5	1.6
Total	58.2	42.1
Diluted earnings per share		
Continuing operations	36.5	40.2
Discontinued operations	21.3	1.5
Total	57.8	41.7

The Income Statement is to be read in conjunction with the condensed notes to the interim consolidated financial report on pages 19 to 44.

EVENT HOSPITALITY & ENTERTAINMENT LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019 $'000	31 Dec 2018 $'000
Profit for the period	93,637	67,524
Other comprehensive income		
Items that may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations – net of tax	(1,881)	7,611
Net change in fair value of available–for–sale financial assets – net of tax	–	(1,178)
Net change in fair value of cash flow hedges – net of tax	11	1
Other comprehensive income for the period – net of tax	(1,870)	6,434
Total comprehensive income for the period	91,767	73,958

The Statement of Comprehensive Income is to be read in conjunction with the condensed notes to the interim consolidated financial report on pages 19 to 44.

EVENT HOSPITALITY & ENTERTAINMENT LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	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	–	–	(48,559)	(48,559)
Restated balance at 1 July 2019	219,126	73,945	789,838	1,082,909
Profit for the period	–	–	93,637	93,637
Other comprehensive income				
Foreign currency translation differences for foreign operations – net of tax	–	(1,881)	–	(1,881)
Net change in fair value of investments designated as at fair value through other comprehensive income ("FVOCI") – net of tax	–	–	–	–
Net change in fair value of cash flow hedging instruments – net of tax	–	11	–	11
Total other comprehensive income recognised directly in equity	–	(1,870)	–	(1,870)
Total comprehensive income for the period	–	(1,870)	93,637	91,767
Employee share–based payments expense – net of tax	–	(832)	–	(832)
Dividends paid	–	–	(49,971)	(49,971)
Balance at 31 December 2019	219,126	71,243	833,504	1,123,873
Balance at 1 July 2018	219,126	64,896	804,576	1,088,598
Adjustment on initial application of AASB 15 – net of tax	–	–	5,369	5,369
Restated balance at 1 July 2018	219,126	64,896	809,945	1,093,967
Profit for the period	–	–	67,524	67,524
Other comprehensive income				
Foreign currency translation differences for foreign operations – net of tax	–	7,611	–	7,611
Net change in fair value of investments designed as at FVOCI – net of tax	–	(1,178)	–	(1,178)
Net change in fair value of cash flow hedging instruments – net of tax	–	1	–	1
Total other comprehensive income recognised directly in equity	–	6,434	–	6,434
Total comprehensive income for the period	–	6,434	67,524	73,958
Employee share–based payments expense – net of tax	–	1,117	–	1,117
Dividends paid	–	–	(49,880)	(49,880)
Balance at 31 December 2018	219,126	72,447	827,589	1,119,162

The Statement of Changes in Equity is to be read in conjunction with the condensed notes to the interim consolidated financial report on pages 19 to 44.

EVENT HOSPITALITY & ENTERTAINMENT LIMITED AND ITS CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	31 Dec 2019 $'000	31 Dec 2018 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	755,228	713,139
Cash payments in the course of operations	(558,707)	(617,366)
Cash provided by operations	196,521	95,773
Distributions from joint ventures	89	131
Other revenue	27,765	28,349
Dividends received	3	452
Interest received	178	335
Finance costs paid	(15,514)	(4,982)
Income tax paid	(45,805)	(27,339)
Net cash provided by operating activities	163,237	92,719
Cash flows from investing activities		
Payments for property, plant and equipment and redevelopment of properties	(63,443)	(67,957)
Finance costs paid in relation to qualifying assets	(1,712)	(2,529)
Payments for management rights, software and other intangible assets	(548)	(3,330)
Decrease in loans from other entities	(463)	(106)
Proceeds from disposal of property, plant and equipment	7,823	14,000
Net cash used by investing activities	(58,343)	(59,922)
Cash flows from financing activities		
Proceeds from borrowings	77,471	70,000
Repayment of borrowings	(50,000)	(28,000)
Payment of lease liabilities	(56,759)	–
Dividends paid	(49,971)	(49,880)
Net cash used in financing activities	(79,259)	(7,880)
Net increase in cash and cash equivalents	25,635	24,917
Cash and cash equivalents at the beginning of the period	93,761	95,564
Effect of exchange rate fluctuations on cash held	(884)	1,749
Cash and cash equivalents at the end of the period	118,512	122,230

Attributable to:		
Continuing operations	72,531	78,143
Discontinued operations	45,981	44,087
Cash and cash equivalents at the end of the period	118,512	122,230

The Statement of Cash Flows is to be read in conjunction with the condensed notes to the interim consolidated financial report on pages 19 to 44.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND COMPLIANCE

EVENT Hospitality & Entertainment Limited ("Company") is a company domiciled in Australia. The condensed interim consolidated financial report of the Company as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (collectively referred to as "Group" or "Consolidated Entity") and the Group's interest in associates and jointly controlled entities.

The interim consolidated financial report was authorised by the Board of the Company for issue on 20 February 2020.

(a) Statement of compliance

The interim consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim consolidated financial report does not include all of the information required for a full annual financial report.

It is recommended that this interim consolidated financial report be read in conjunction with the most recent annual financial report for the year ended 30 June 2019. This report should also be read in conjunction with any public announcements made by the Company during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and 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.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group's secured bank facility matures on 15 August 2020 and has been classified as a current liability as at 31 December 2019, resulting in the Group's total current liabilities exceeding total current assets by $369,775,000. This facility is secured by specific property mortgages and is expected to be replaced or extended prior to the end of the financial year.

This is the first Group financial report where AASB 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 1(d).

(b) Estimates

The preparation of the interim consolidated financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim consolidated financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2019, with the exception of estimation uncertainty in relation to the likelihood of exercise of options for lease extensions following the application of AASB 16 *Leases* (see Note 1(d) below).

(c) Financial risk management

The Group's financial risk management systems are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2019.

(d) New and amended accounting standards adopted by the Group

Except as described below, the accounting policies applied in the interim consolidated financial report are the same as those applied in the Group's consolidated financial report as at and for the year ended 30 June 2019. The changes in the accounting policies will also be reflected in the Group's consolidated financial report as at and for the year ended 30 June 2020.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND COMPLIANCE (CONTINUED)

(d) New and amended accounting standards adopted by the Group (continued)

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 comparable half year period 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.

On transition to AASB 16, the Group has recognised an additional $582 million of right-of-use assets, $652 million of lease liabilities, $21 million in net deferred tax assets, and recognised $49 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 is 3.1%.

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	164,332
Recognition exemption for short-term leases and leases of low-value assets	(914)
Lease liability recognised at 1 July 2019	651,732

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND COMPLIANCE (CONTINUED)

(d) New and amended accounting standards adopted by the Group (continued)

AASB 16 *Leases (continued)*

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	582,361
Recognition of lease liabilities	(651,732)
Net deferred tax asset recognised on adoption of AASB 16	20,812
Opening retained earnings – adjusted	789,838

The following tables summarise the impact of adopting AASB 16 on the Group's statement of financial position as at 31 December 2019 and its income statement, statement of comprehensive income and statement of cash flows for the half year then ended for each of the line items affected.

Impact on the consolidated statement of financial position

Consolidated statement of financial position 31 December 2019	**As reported $'000**	**Adjustments $'000**	**Amounts without adoption of AASB 16 $'000**
ASSETS			
Right-of-use assets	558,049	(558,049)	–
Deferred tax assets	37,251	(18,500)	18,751
Assets held for sale	432,923	(262,482)	170,441
Other assets	1,658,180	–	1,658,180
Total assets	2,686,403	(839,031)	1,847,372
LIABILITIES			
Lease liabilities – current	75,964	(75,964)	–
Lease liabilities – non-current	552,194	(552,194)	–
Deferred tax liabilities	10,509	2,533	13,042
Liabilities held for sale	305,022	(244,376)	60,646
Other liabilities	618,841	–	618,841
Total liabilities	1,562,530	(870,001)	692,529
Net assets	1,123,873	30,970	1,154,843
EQUITY			
Share capital	219,126	–	219,126
Reserves	71,243	232	71,475
Retained earnings	833,504	30,738	864,242
Total equity	1,123,873	30,970	1,154,843

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND COMPLIANCE (CONTINUED)

(d) 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 half year ended 31 December 2019	**As reported $'000**	**Adjustments $'000**	**Amounts without adoption of AASB 16 $'000**
Revenue and other income	526,090	–	526,090
Expenses			
Amortisation and depreciation	(67,555)	31,301	(36,254)
Finance costs	(13,852)	9,983	(3,869)
Other expenses	(363,731)	(40,588)	(404,319)
	(445,138)	696	(444,442)
Equity profit			
Share of net profit of equity accounted investees	114	–	114
Profit before income tax expense	81,066	696	81,762
Income tax expense	(21,968)	(209)	(22,177)
Profit after tax from continuing operations	59,098	487	59,585
Discontinued operations			
Profit after tax from discontinued operations	34,539	(18,308)	16,231
Profit for the period	93,637	(17,821)	75,816
Consolidated Statement of Comprehensive Income For the half year ended 31 December 2019			
Profit for the period	93,637	(17,821)	75,816
Other comprehensive income for the period – net of tax	(1,870)	232	(1,638)
Total comprehensive income for the period	91,767	(17,589)	74,178

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND COMPLIANCE (CONTINUED)

(d) 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 half year ended 31 December 2019	**As reported $'000**	**Adjustments $'000**	**Amounts without adoption of AASB 16 $'000**
Cash flows from operating activities			
Cash payments in the course of operations	(558,707)	67,851	(626,558)
Finance costs paid	(15,514)	(11,092)	(4,422)
Other cash flows from operating activities	737,458	–	737,458
Net cash provided by operating activities	163,237	56,759	106,478
Net cash used by investing activities	(58,343)	–	(58,343)
Cash flows from financing activities			
Payment of lease liabilities	(56,759)	(56,759)	–
Other cash flows from financing activities	(22,500)	–	(22,500)
Net cash used by financing activities	(79,259)	(56,759)	(22,500)
Net increase in cash and cash equivalents	25,635	–	25,635
Cash and cash equivalents at the beginning of the year	93,761	–	93,761
Effect of exchange rate fluctuations on cash held	(884)	–	(884)
Cash and cash equivalents at the end of the period	118,512	–	118,512
Attributable to:			
Continuing operations	72,531	–	72,531
Discontinued operations	45,981	–	45,981
Cash and cash equivalents at the end of the period	118,512	–	118,512

Further information regarding the Group's lease arrangements, including the disclosures required by AASB 16, are set out in note 15.

IFRIC Interpretations Committee Agenda Decision 4 (November 2019)
The IFRS Interpretations Committee ("IFRIC") has issued a final agenda decision (the "Agenda Decision") clarifying the determination of the lease term for cancellable or renewable leases under IFRS 16 and whether the useful life of any non-removable leasehold improvements is limited to the lease term of the related lease. The Group has yet to consider the impact of the Agenda Decision, which may have an impact on its right of use asset and lease liability balances in the Statement of Financial Position, as well as depreciation and interest expense in the Income Statement. The impact of the Agenda Decision is not reasonably estimable as the Group has yet to complete its assessment. The Group expects to adopt this Agenda decision in the Group's annual financial statements for the year ending 30 June 2020.

NOTE 2 – SEGMENT REPORTING

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 Chief Executive Officer ("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.

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 and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise 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 reclassified to discontinued operations. See Note 5 for further information.
- **Hotels and Resorts**
  Includes the ownership, operation and management of hotels in Australia and New Zealand.
- **Thredbo Alpine Resort**
  Includes all the operations of the resort including property development activities.
- **Property and Other Investments**
  Includes property rental, investment properties and available–for–sale financial assets.

NOTE 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
31 December 2019							
Revenue and other income							
External segment revenue	272,265	176,243	58,250	1,318	508,076	174,367	682,443
Other income – external	70	1,040	5,099	9,407	15,616	2,697	18,313
Finance revenue					168	10	178
Other unallocated revenue					11	–	11
Revenue and other income before individually significant items					523,871	177,074	700,945
Individually significant items					2,219	–	2,219
Revenue and other income					526,090	177,074	703,164
Result							
Segment result before individually significant items	29,855	34,635	25,091	6,478	96,059	20,721	116,780
Share of net profit of equity accounted investees	(89)	203	–	–	114	1,040	1,154
Total segment result before individually significant items	29,766	34,838	25,091	6,478	96,173	21,761	117,934
Impact of application of AASB 16 Leases	(288)	(408)	–	–	(696)	26,154	25,458
	29,478	34,430	25,091	6,478	95,477	47,915	143,392
Unallocated revenue and expenses					(10,154)	–	(10,154)
Net finance costs					(3,701)	(546)	(4,247)
Individually significant items					(556)	1,085	529
Profit before income tax expense					81,066	48,454	129,520
Income tax expense					(21,968)	(13,915)	(35,883)
Profit after income tax expense					59,098	34,539	93,637
Reportable segment assets	931,497	822,119	50,985	339,657	2,144,258	429,105	2,573,363
Equity accounted investments	7,135	4,024	–	–	11,159	3,818	14,977
Deferred tax assets					37,251	–	37,251
Unallocated corporate assets					60,812	–	60,812
Total assets					2,253,480	432,923	2,686,403

NOTE 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**
31 December 2018							
Revenue and other income							
External segment revenue	259,289	179,529	58,125	1,300	498,243	145,518	643,761
Other income – external	64	1,127	5,128	9,355	15,674	2,288	17,962
Finance revenue					249	86	335
Other unallocated revenue					8	–	8
Revenue and other income before individually significant items					514,174	147,892	662,066
Individually significant items					11,224	–	11,224
Revenue and other income					525,398	147,892	673,290
Result							
Segment result before individually significant items	30,450	35,107	25,813	7,071	98,441	3,463	101,904
Share of net profit of equity accounted investees	(13)	287	–	–	274	759	1,033
Total segment result before individually significant items	30,437	35,394	25,813	7,071	98,715	4,222	102,937
Unallocated revenue and expenses					(10,780)	–	(10,780)
Net finance costs					(4,533)	(182)	(4,715)
Individually significant items					5,367	–	5,367
Profit before income tax expense					88,769	4,040	92,809
Income tax expense					(23,738)	(1,547)	(25,285)
Profit after income tax expense					65,031	2,493	67,524
Reportable segment assets	405,299	779,099	37,197	352,585	1,574,180	167,361	1,741,541
Equity accounted investments	8,694	3,755	–	–	12,449	3,036	15,485
Deferred tax assets					11,247	2,130	13,377
Unallocated corporate assets					58,847	–	58,847
Total assets					1,656,723	172,527	1,829,250

NOTE 2 – SEGMENT REPORTING (CONTINUED)

Geographic information	Australia $'000	New Zealand $'000	Germany $'000	Consolidated $'000
31 December 2019				
External segment revenue	433,490	74,586	174,367	682,443
Reportable segment assets	1,802,899	341,359	429,105	2,573,363
Equity accounted investments	7,135	4,024	3,818	14,977
31 December 2018				
External segment revenue	429,692	68,551	145,518	643,761
Reportable segment assets	1,365,643	208,537	167,361	1,741,541
Equity accounted investments	8,694	3,755	3,036	15,485

NOTE 3 – REVENUE

NOTE 3 – REVENUE	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from contracts with customers (see below)	508,076	498,243
Other revenue		
Rental revenue	13,329	13,398
Finance revenue	168	249
Dividends	3	452
Sundry	737	682
	14,237	14,781
Other income		
Reversal of impairment charges booked in previous years	2,219	9,623
Insurance proceeds	–	1,601
Increase in fair value of investment properties	1,293	1,150
Profit on sale of property, plant and equipment	265	–
	3,777	12,374
	526,090	525,398

NOTE 3 – 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
31 December 2019							
Major products/service lines							
Box office	160,912	–	–	–	160,912	102,756	263,668
Food and beverage	73,635	62,848	10,308	–	146,791	52,140	198,931
Hotel rooms revenue	–	95,000	2,393	–	97,393	–	97,393
Management fees	1,053	8,924	–	–	9,977	240	10,217
Thredbo lift tickets	–	–	37,191	–	37,191	–	37,191
Other revenue from contracts with customers	36,665	9,471	8,358	1,318	55,812	18,146	73,958
Revenue from contracts with customers	272,265	176,243	58,250	1,318	508,076	173,282	681,358
Rental revenue					13,329	2,347	15,676
Finance revenue					168	10	178
Dividends					3	–	3
Increase in fair value of investment property					1,293	–	1,293
Sundry					1,002	350	1,352
Total revenue and other income before individually significant items					523,871	175,989	699,860
Individually significant items					2,219	1,085	3,304
Total revenue and other income					526,090	177,074	703,164

NOTE 3 – 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
31 December 2018							
Major products/service lines							
Box office	154,399	–	–	–	154,399	86,199	240,598
Food and beverage	69,670	63,045	10,654	–	143,369	40,849	184,218
Hotel rooms revenue	–	97,464	2,357	–	99,821	–	99,821
Management fees	1,144	8,323	–	–	9,467	203	9,670
Thredbo lift tickets	–	–	37,025	–	37,025	–	37,025
Other revenue from contracts with customers	34,076	10,697	8,089	1,300	54,162	18,267	72,429
Revenue from contracts with customers	259,289	179,529	58,125	1,300	498,243	145,518	643,761
Rental revenue					13,398	2,254	15,652
Finance revenue					249	86	335
Dividends					452	–	452
Increase in fair value of investment property					1,150	–	1,150
Sundry					682	34	716
Total revenue and other income before individually significant items					514,174	147,892	662,066
Individually significant items					11,224	–	11,224
Total revenue and other income					525,398	147,892	673,290

NOTE 3 – REVENUE (CONTINUED)

Performance obligations and 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 over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
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 are sold to customers, the revenue is recognised as deferred revenue in the Statement of Financial Position until the customer uses the gift card to purchase goods or services from the Group. Revenue from gift cards 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.

NOTE 3 – REVENUE (CONTINUED)

Performance obligations and revenue recognition policies (continued)

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policy
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 revenue	Customers obtain control of the accommodation service when they occupy the room.	Revenue is recognised when the room is occupied.
Hotel management, licence and service fees	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 contract as a reduction in revenue.
Thredbo lift tickets	The customer obtains control of the lift service on the day or other period when the lift ticket is valid for use.	Revenue is recognised as the customer uses 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	The customer obtains control of the ski school service when the lesson is attended.	Revenue is recognised at the time of the lesson or other activity.

NOTE 4 – PROFIT BEFORE INCOME TAX	**31 Dec 2019 $'000**	**31 Dec 2018 $'000**

Profit before income tax expense includes the following items where disclosure is relevant in explaining the financial performance of the Group:

(a) Individually significant items

Individually significant items comprised the following:

	31 Dec 2019 $'000	31 Dec 2018 $'000
Continuing operations		
Reversal of impairment charges booked in previous years	2,219	9,144
Legal and other costs associated with the sale of a business segment	(1,497)	–
Pre-opening costs	–	(2,608)
Other items (net)	(1,278)	(1,169)
Individually significant items (expense)/income before income tax	(556)	5,367
Income tax benefit/(expense)	2,732	(111)
Individually significant items after income tax	2,176	5,256
Discontinued operations		
Individually significant items income before income tax	1,085	–
Income tax benefit	(295)	–
Individually significant items income after income tax	790	–

(b) Seasonality of operations

The consolidated result includes the operations of the Thredbo Alpine Resort. Due to the timing of the Australian ski season, profits from this business for the financial year to 30 June 2020 have largely been earned in the half year to 31 December 2019.

NOTE 5 – 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. The sale includes an upfront payment of €130 million (A$209 million) and variable consideration of €56.9 million (A$92 million) based upon German market admissions for the 2019 calendar year. FCO proceedings are in progress and the Group is confident that a conditional clearance decision will be granted in late February or March 2020.

Profit attributable to discontinued operations was as follows:	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue and other income		
Revenue from sale of goods and rendering of services	174,367	145,518
Other revenue and income	2,707	2,374
	177,074	147,892
Expenses		
Film hire and other film expenses	(48,354)	(39,432)
Occupancy expenses	(32,518)	(58,087)
Employee expenses	(32,362)	(28,887)
Purchases and other direct expenses	(9,837)	(8,492)
Amortisation and depreciation	–	(3,403)
Advertising, commissions and marketing expenses	(2,590)	(2,798)
Other operating expenses	(2,334)	(3,244)
Finance costs	(1,665)	(268)
	(129,660)	(144,611)
Equity profit		
Share of net profit of equity accounted investees	1,040	759
Profit before income tax expense	48,454	4,040
Income tax expense	(13,915)	(1,547)
Profit after tax from discontinued operations	34,539	2,493

Cash flows from discontinued operations were as follows:

Net cash provided by operating activities	51,803	13,966
Net cash used in investing activities	(692)	(8,941)
Net cash used in financing activities	(26,617)	(16,656)
Net cash flows for the period	24,494	(11,631)

NOTE 5 – DISCONTINUED OPERATIONS (continued)

Assets and liabilities of disposal group held for sale
At 31 December 2019, 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:

	31 Dec 2019 $'000	30 June 2019 $'000
ASSETS		
Cash and cash equivalents	45,981	21,836
Trade and other receivables	13,907	12,428
Inventories	3,350	3,265
Prepayments and other current assets	609	1,157
Investments accounted for using the equity method	3,818	2,830
Property, plant and equipment	96,418	96,413
Goodwill and other intangible assets	6,358	6,665
Deferred tax assets	–	71
Right-of-use assets	262,482	–
Assets held for sale	432,923	144,665
LIABILITIES		
Trade and other payables	18,662	13,622
Loans and borrowings	1,707	2,055
Provisions	6,693	8,083
Deferred tax liability	10,249	–
Lease liabilities	236,616	–
Deferred revenue	31,095	26,529
Liabilities held for sale	305,022	50,289
Net assets held for sale	127,901	94,376

NOTE 6 – DIVIDENDS

	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Dividends on ordinary shares paid in the current and comparative periods are:					
2019					
Final 2019 dividend	31	49,971	19 September 2019	30%	100%
2018					
Final 2018 dividend	31	49,880	20 September 2018	30%	100%

Subsequent events
Since the end of the period, the directors declared the following dividend:

Interim 2020 dividend	21	33,851	19 March 2020	30%	100%

The financial effect of this interim dividend has not been brought to account in the interim consolidated financial report for the half year ended 31 December 2019 and will be recognised in subsequent consolidated financial reports.

NOTE 7 – TAXATION	31 Dec 2019 $'000	31 Dec 2018 $'000
Income tax expense		
The major components of income tax expense are:		
Income tax recognised in profit or loss		
Income tax expense attributable to continuing operations	21,968	23,738
Income tax expense attributable to discontinued operations	13,915	1,547
	35,883	25,285
Current income tax		
Current income tax expense	18,376	22,549
Income tax over provided in the prior period	(92)	(155)
Deferred income tax		
Relating to origination and reversal of temporary differences	9,549	2,891
Income tax expense reported in the Income Statement	27,833	25,285
Income tax charged/(credited) directly in equity		
Deferred income tax related to items charged/(credited) directly in equity		
Net loss/(gain) on hedge of net investment in overseas subsidiaries	461	(916)
Unrealised gain/(loss) on investments designated at FVOCI	–	(505)
Currency translation movements of deferred tax balances of foreign operations	106	370
Income tax expense/(gain) reported in equity	567	(1,051)
Reconciliation between tax expense and pre–tax net profit		
A reconciliation between tax expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Profit before tax from continuing operations	81,066	88,769
Profit before tax from discontinued operations	48,454	4,040
Accounting profit before income tax expense	129,520	92,809
Prima facie income tax expense calculated at the Group's statutory income tax rate of 30% (2018: 30%) on accounting profit	38,856	27,843
Increase in income tax expense due to:		
Depreciation and amortisation of buildings	253	250
Non–deductible items and losses in non–resident controlled entities	68	1,077
Amortisation of management rights and other intangible assets	360	363
AASB15 initial application adjustment included in retained earnings	–	141
Share of non-assessable/non-deductible items in partnership income	–	893
Sundry items	–	322
	681	3,046
Decrease in income tax expense due to:		
Share of incorporated joint venture net profit	427	392
Loss on disposal of non-depreciable properties	1,949	3,779
Tax losses now utilised/recognised	657	574
Sundry items	529	704
	3,562	5,449
Income tax over provided in prior period	(92)	(155)
	35,883	25,285

NOTE 8 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**31 Dec 2019 $'000**	**30 June 2019 $'000**
Associates (refer to Note 14)	114	116
Joint ventures (refer to Note 14)	11,045	10,997
	11,159	11,113

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the half year ended 31 December 2019 the Group acquired property, plant and equipment with a cost value of $64,458,000 (2018: $70,486,000).

NOTE 10 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets comprise of goodwill, construction rights, management and leasehold rights, liquor licences and software. Movements in goodwill and other intangible assets during the half year were as follows:

	31 Dec 2019 $'000
Balance at 1 July 2019	93,324
Acquisitions	546
Net foreign currency differences on translation of foreign operations	132
Amortisation	(2,659)
Transfer	446
Balance at 31 December 2019	91,789

NOTE 11 – LOANS AND BORROWINGS	**31 Dec 2019 $'000**	**30 June 2019 $'000**
Current		
Interest bearing loans and borrowings		
Bank loans – secured	404,913	–
Deferred financing costs	(330)	–
	404,583	–
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

Bank debt – secured

The Group's secured bank debt facilities were amended and restated on 15 August 2017 and comprise 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 mature on 15 August 2020 and are supported by interlocking guarantees from most Group entities and 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 1.15% and 2.1% per annum. At 31 December 2019, the Group had drawn $404,913,000 (30 June 2019: $376,909,000) under the debt facilities, of which $nil (30 June 2019: $nil) was subject to interest rate swaps used for hedging, and had drawn $2,907,000 under the credit support facility (30 June 2019: $2,927,000).

Other facility – secured

Certain wholly owned German subsidiaries have arranged a secured guarantee facility of €17,000,000 (A$27,183,000) for the issue of letters of credit and bank guarantee.

The facility is supported by interlocking guarantees from certain (non–Australian based) Group entities and are secured against a specific property in Germany. Debt drawn under the facility bears interest at the relevant inter–bank benchmark rate plus a margin of between 0.75% and 2.75% per annum. At 31 December 2019, the Group had drawn €13,666,000 (A$21,851,000) under the facility.

NOTE 12 – SHARE CAPITAL	**31 Dec 2019 Shares**	**30 June 2019 Shares**	**31 Dec 2019 $'000**	**30 June 2019 $'000**
Share capital				
Fully paid ordinary shares	160,992,028	160,992,028	219,126	219,126
Share capital consists of:				
Ordinary shares	160,969,978	160,969,027		
Tax Exempt Share Plan	22,050	23,001		
	160,992,028	160,992,028		
Treasury shares				
Performance shares	203,493	203,493		
	161,195,521	161,195,521		

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.

NOTE 13 – RESERVES	**31 Dec 2019 $'000**	**30 June 2019 $'000**
Financial assets revaluation	12,536	12,536
Investment property revaluation	5,121	5,121
Hedging	–	(11)
Share–based payments	35,670	36,502
Foreign currency translation	17,916	19,797
	71,243	73,945

NOTE 14 – INTERESTS IN OTHER ENTITIES

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/(loss)	
Name	Principal activities	31 Dec 2019 %	30 Jun 2019 %	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Browns Plains Cinemas Pty Limited	Operator of a multiscreen cinema complex	[(a)] 50	[(a)] 50	618	672	(53)	(38)
Filmpalast am ZKM Karlsruhe GmbH & Co. KG	Operator of a multiscreen cinema complex	[(b)] 50	[(b)] 50	–	–	–	–
Filmpalast Konstanz GmbH & Co. KG	Operator of a multiscreen cinema complex	[(b)] 50	[(b)] 50	–	–	–	–
Rydges Latimer Holdings Limited	Hotel owner	[(c)] 16	[(c)] 16	4,025	3,889	203	286
Loganholme Cinemas Pty Limited	Operator of a multiscreen cinema complex	50	50	6,402	6,436	(34)	35
Red Carpet Cinema Communication GmbH & Co. KG	Event management	[(b)] 50	[(b)] 50	–	–	–	–
				11,045	10,997	116	283

Note:

(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 5.
(c) This company is incorporated in New Zealand.

Associates

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

		Ownership interest		Investment carrying amount		Contribution to operating profit/(loss)	
Name	Principal Activities	31 Dec 2019 %	30 Jun 2019 %	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Cinesound Movietone Productions Pty Limited	Film owner and distributor	50	50	114	116	(2)	(9)
Digital Cinema Integration Partners Pty Limited	Administration	48	48	–	–	–	–
Digital Cinema Integration Partners NZ Pty Limited	Administration	[(a)(b)] 60	[(a)(b)] 60	–	–	–	–
DeinKinoticket GmbH	Operator of DeinKinoticket website	[(c)] 24	[(c)] 24	–	–	–	–
Movietimes Australia and New Zealand Pty Limited	Operator of Movietimes website	[(a)] 53	[(a)] 53	–	–	–	–
				114	116	(2)	(9)

Note:

(a) These companies are not consolidated as the Group does not have control.
(b) This company is incorporated in New Zealand.
(c) This company is incorporated in Germany. The Group's investment in this company has been reclassified to assets held for sale; see Note 5.

NOTE 14 – 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	
			31 Dec 2019	30 Jun 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

Note:

(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%.

Subsidiaries

A list of subsidiaries of the Group is set out in Note 5.2 of the 2019 Annual Report. Since 1 July 2019 there have been no significant changes to the Group's subsidiaries. As disclosed in Note 5, the Group has entered into an agreement for the sale of its German cinema exhibition business, CineStar, which includes the Group's German subsidiary companies. This sale is expected to be completed in the 2020 calendar year.

NOTE 15 – 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. 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(d).

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 predetermined, 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 predetermines 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.

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 while 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 while 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 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.

NOTE 15 – LEASES (CONTINUED)

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.

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 to allocate the consideration in the contract.

NOTE 15 – LEASES (CONTINUED)

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.

As a lessee

As disclosed in Note 14, 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.

Right-of-use assets

Continuing operations	**$'000**
Balance at 1 July 2019	582,361
Additions	6,550
Depreciation	(31,301)
Effect of movement in foreign exchange	439
Balance at 31 December 2019	558,049

Lease liabilities

Continuing operations	**$'000**
Maturity analysis – contractual undiscounted cash flows	
Less than one year	79,373
One to five years	264,722
More than five years	444,516
Total undiscounted lease liabilities at 31 December 2019	788,611
Lease liabilities included in the statement of financial position at 31 December 2019	
Current	75,964
Non-current	552,194
	628,158

NOTE 15 – LEASES (CONTINUED)

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).

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 to 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.

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.

NOTE 16 – CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There have been no material changes in contingent liabilities or contingent assets since 30 June 2019.

NOTE 17 – EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For details of the interim 2020 dividend declared after 31 December 2019 refer to Note 6.

EVENT HOSPITALITY & ENTERTAINMENT LIMITED AND ITS CONTROLLED ENTITIES
DIRECTORS' DECLARATION

In the opinion of the directors of the Company:

1. The interim consolidated financial statements and notes set out on pages 14 to 44 are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

AG Rydge
Director

JM Hastings
Director

Dated at Sydney this 20th day of February 2020.

Independent Auditor's Review Report

To the shareholders of EVENT Hospitality & Entertainment Limited

Report on the Interim Consolidated Financial Report

Conclusion

We have reviewed the accompanying ***Interim Consolidated Financial Report*** of EVENT Hospitality & Entertainment Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Consolidated Financial Report of EVENT Hospitality & Entertainment Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Consolidated Financial Report*** comprises:

- Statement of financial position as at 31 December 2019;
- Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the Half-year ended on that date;
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises EVENT Hospitality & Entertainment Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Consolidated Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Consolidated Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Consolidated Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Consolidated Financial Report

Our responsibility is to express a conclusion on the Interim Consolidated Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Consolidated Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of EVENT Hospitality & Entertainment Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Tracey Driver

Partner

Sydney

20 February 2020