2010

Amalgamated Holdings Limited

Annual Report

AHL

ABN 51 000 005 103

Contents

Corporate Governance Statement

1. INTRODUCTION

This 2010 Corporate Governance Statement ("Statement") sets out the key corporate governance principles adopted by the directors in governing Amalgamated Holdings Limited ("Company") and its subsidiaries (collectively referred to as "AHL" or "Group") and reflects the corporate governance policies and procedures which applied during the financial year ended 30 June 2010.

The Company continues to monitor and review its corporate governance policies and procedures.

2. APPROACH TO CORPORATE GOVERNANCE

2.1 FRAMEWORK AND APPROACH TO CORPORATE GOVERNANCE AND RESPONSIBILITY

The Board has the responsibility for ensuring AHL is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with AHL's responsibility to meet its obligations to all stakeholders. For this reason, the Board is committed to maintaining the highest standards of corporate governance across the Group. The Board believes that corporate governance is about having a set of values and behaviours that underpin AHL's everyday activities and which ensures transparency, risk management, accountability, value creation, fair dealing and protection of the interests of stakeholders. Consistent with this belief, the Board's approach is to consider corporate governance within the broader framework of corporate responsibility and regulatory oversight.

2.2 COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The Australian Securities Exchange ("ASX") has issued the ASX Listing Rules which require listed companies to include in their annual report a statement disclosing the extent to which they have followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Recommendations") in the reporting period. Listed companies must identify the Recommendations that have not been followed and provide reasons for the company's decision. A table outlining the compliance, or otherwise, to the Recommendations has been included in section 10 of this Statement.

The corporate governance page of the Company's website (www.ahl.com.au) contains most of the documents which are referred to in this Statement. The Statement, charters, code and various policies are regularly reviewed to take account of any recent changes in the law and governance practices.

If a shareholder does not have access to the internet, they may contact the Company Secretary for copies of the relevant documents.

3. BOARD

3.1 ROLE AND RESPONSIBILITIES OF THE BOARD

The Board recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's shareholders as well as its employees, customers and the community. Its primary responsibilities are:

- providing input into, reviewing and approving the corporate and divisional strategic plans;
- making decisions in relation to matters of a sensitive, extraordinary or strategic nature;
- providing advice and counsel to management on a periodic and ad hoc basis;
- ensuring best practice corporate governance;
- appointing and where appropriate removing the Managing Director and approving succession plans;
- ratifying the appointment and, where appropriate the termination, of the direct reports to the Managing Director;
- monitoring the performance of the Managing Director and senior management and approving remuneration policies and practices for such Managing Director and senior management;
- enhancing and protecting the reputation of the Group;
- reporting to shareholders;
- ensuring appropriate compliance frameworks and controls are in place and are operating effectively;
- approving and monitoring the effectiveness of and compliance with policies governing the operations of the Group;
- monitoring compliance with regulatory requirements and ethical standards;
- monitoring the integrity of internal control and reporting systems;
- monitoring strategic risk management systems and risk management policies and procedures and oversight of internal controls and review of major assumptions used in the calculation of significant risk exposure;
- reviewing and approving business plans, the annual budget and financial plans, including available resources and major capital expenditure initiatives;
- monitoring and assessing management's performance in achieving any strategies and budgets approved by the Board;
- approving decisions concerning the capital of the Company, including capital restructures;
- reviewing and approving half yearly and annual statutory accounts and other reporting and monitoring financial results on an ongoing basis; and
- determining dividend policy and declaring dividends.

The Board operates in accordance with the principles set out in the Board Charter. The Board Charter details the Board's purpose, role, responsibilities and functions. A copy of the Board's Charter is available from the Company's website or upon request from the Company Secretary.

The Board has delegated responsibility for operation and administration of the Company and Group to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations. Senior executives reporting to the Managing Director have their roles and responsibilities defined in position descriptions.

3.2 BOARD PROCESSES

To assist in the execution of its responsibilities, the Board has in place an Audit Committee and a Nomination and Remuneration Committee. These Committees have charters which are reviewed on a regular basis. Other Board Committees may be appointed from time to time to deal with issues associated with the conduct of the Group's various activities.

Recommendation 2.4 of the Recommendations states that the Board should establish a nomination committee. The Board has determined that any recommendations required by a nomination committee are undertaken, as required, by the Nomination and Remuneration Committee.

The full Board holds at least 10 scheduled meetings each year, including strategy meetings. Unscheduled meetings are arranged as necessary to address any specific significant matters that may arise. Site visits are arranged on a regular basis to improve directors' understanding of the Group's locations and operations.

The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the Managing Director's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

3.3 COMPOSITION OF THE BOARD

The composition of the Board is determined using the following principles:

- the Board should comprise of a majority of non-executive independent directors;
- the Board should comprise of directors with a broad range of relevant expertise; and
- the same individual should not exercise the role of Chairman and Managing Director.

The Chairman of the Board is a non-executive director. There is a Managing Director, who is also the Chief Executive Officer. It is standard practice to have six non-executive directors, the majority of whom are deemed to be independent under the principles set out below. The composition of the Board is reviewed periodically by the Chairman and the other directors to ensure that the Board has an appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nomination and Remuneration Committee identifies suitable candidates with the appropriate expertise and experience and makes a recommendation to the Board. The Board then appoints the most suitable candidate who must then stand for election at the next general meeting of shareholders. Non-executive directors must stand for re-election each three years. The terms and conditions of the appointment and the retirement of directors, including the Managing Director, are first considered by the Nomination and Remuneration Committee and then recommended for determination by the Board. A formal letter of appointment is provided to all incoming non-executive directors.

The Board considers that individually and collectively the directors bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities effectively. Further information on the skills, experience and expertise of the directors has been included in section 9.1 of this Statement.

Details of the number of Board meetings and the attendance of the directors have been included in section 9.2 of this Statement.

3.4 DIRECTORS' INDEPENDENCE

The Board has considered specific principles in relation to a director's independence. The Board has determined that an independent director is a director who is not a member of management (a non-executive director) and who:

- is not a substantial shareholder of the Company or does not have a material beneficial interest in a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or Group, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional advisor or a material consultant to the Company or Group;
- is not a material supplier or customer of the Company or Group, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- must have no material contractual relationship with the Company or Group other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

In forming this view, the Board has considered and determined that "material", in this context, to be where any director related business relationship has represented, or is likely in the future to represent, the lesser of at least 10% of the relevant segment's or the director related business's revenue. The Board considered the nature of the relevant industries' competition, and size and nature of each director related business relationship, in arriving at this threshold.

Two directors of the Company are also directors of Carlton Investments Limited ("Carlton"), which is a substantial shareholder of the Company. Carlton is a publicly listed company. Carlton's main activity is the holding of a wide portfolio of listed investments. The Board has considered the question of independence of the director of Carlton who does not have a substantial beneficial shareholding in his own right. The Board has concluded that, as the nature of Carlton's business is in no way similar to that of the businesses of the Group, the sole holding of a directorship in Carlton should not impact on the ability and willingness of a director to effectively review and challenge the performance of management and exercise independent and objective judgement for the benefit of all shareholders of the Company.

3.5 CHAIRMAN AND MANAGING DIRECTOR

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and effectively conducted and for ensuring directors are properly briefed for meetings. The Managing Director is responsible for implementing Group strategies and policies.

Recommendation 2.2 of the Recommendations states that the Chairman should be an independent director. The Chairman, Mr AG Rydge, is not considered an independent director due to the substantial shareholding clause. Mr Rydge was previously Chairman and Managing Director of the Company until retiring from the position of Managing Director on 31 December 2001. The Board has determined that the chairmanship of Mr Rydge is of significant benefit to the Company and Group due to his long standing contribution to, and association with, the Company and extensive knowledge of the film, hospitality, leisure and tourism industries. Mr Rydge has been a non-executive Chairman since 1 January 2002.

3.6 CONFLICT OF INTEREST

In accordance with the *Corporations Act 2001* and the Company's Constitution, directors give standing notice on appointment of any interest that could potentially conflict with that of the Company or Group and must keep the Board advised of any changes. Where the Board believes a significant conflict of interest exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

3.7 DIRECTOR EDUCATION

The Company has a process to educate new directors about the nature of the business, current issues, corporate strategy and the Company's expectations of directors. All directors are made aware of their rights to access employees, information and resources. Directors are encouraged to visit facilities of the Group and meet with management to gain a better understanding of business operations.

3.8 INDEPENDENT PROFESSIONAL ADVICE

Each director has the right of access to all relevant Company information and to the Group's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

3.9 DIRECTORS' RETIREMENT PLAN

The Directors' Retirement Plan was suspended in May 2003 and directors appointed to the Board after that date are not entitled to participate in the plan.

Eligible directors in office prior to the suspension of the plan in May 2003 are able to participate in the plan. Subject to the *Corporations Act 2001*, those eligible directors with more than three years service receive a retirement lump sum based on the length of service and the average of the fees paid. The benefit is capped at a maximum lump sum per eligible director of $165,000.

The Chairman and Managing Director are not eligible to participate in the plan.

The total accrued retirement benefits for non-executive directors other than superannuation, and further details on directors' remuneration, are disclosed within the Remuneration Report.

4. AUDIT COMMITTEE

4.1 ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee Charter sets out the Committee's roles and responsibilities. Its primary responsibilities are to:

- review and monitor the financial integrity of the Group's financial reports and statements;
- review the adequacy and integrity of the Group's risk management framework and system of internal control and the monitoring of the various control processes;
- ensure compliance with relevant laws, regulations and statutory obligations;
- review and approve the internal and external audit work plans; and
- review significant accounting changes or reporting issues.

The Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to discuss a number of matters including the external audit plan, proposed fees for audit work to be performed, half year and annual reporting and other matters as necessary. The Audit Committee, in scheduled sessions at the end of each meeting, without the presence of management, addresses questions to the external auditors and Group Internal Audit Manager on matters relating to the Committee's responsibilities.

The Committee is responsible for making recommendations to the Board concerning the appointment of the external auditor including remuneration and other terms of the auditor's engagement. The Committee reviews and ensures that the level of any non-audit work carried out by the external auditor is compatible with maintaining audit independence, taking into account the guidelines which it has set. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years, with the most recent rotation having taken place in August 2006.

The Board receives the minutes and regular updates from the chairman of the Committee, and reviews and approves the charter of the Committee. A copy of the Audit Committee Charter is available from the Company's website or upon request from the Company Secretary.

4.2 COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of a minimum of three non-executive directors, the majority of whom are independent, and is chaired by an independent director who is not the Chairman of the Board. All Committee members are familiar with finance and accounting procedures.

The members of the Audit Committee during the year were:

- AJ Clark (Chairman) – independent non-executive director;
- RM Graham – independent non-executive director; and
- AG Rydge – non-executive director.

Other directors who are not members of the Committee are invited to attend meetings. The Managing Director, Director Finance & Accounting, Company Secretary, Group Internal Audit Manager and external auditors are invited to attend Committee meetings. Other executives may be invited to Committee meetings at the discretion of the Committee.

The Audit Committee meets at least four times per year. Details of the number of Committee meetings and the attendance of the Committee members have been included in section 9.2 of this Statement.

5. NOMINATION AND REMUNERATION COMMITTEE

5.1 ROLE AND RESPONSIBILITIES OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee Charter sets out the Committee's roles and responsibilities. Its primary responsibilities are to advise the Board on matters including:

- the composition, remuneration and performance evaluation of the Board;
- the appointment of the Managing Director;
- succession plans for the position of Managing Director; and
- the remuneration strategy for the Managing Director and other senior executives.

The Committee also acts as a nomination committee and reviews the need for appointment of new directors for recommendation to the Board and shareholders for approval.

The Board receives the minutes and regular updates from the chairman of the Committee, and reviews and approves the charter of the Committee. A copy of the Nomination and Remuneration Committee Charter is available from the Company's website or upon request from the Company Secretary.

5.2 COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of a minimum of three non-executive directors, the majority of whom are independent, and is chaired by an independent director who is not the Chairman of the Board.

The members of the Nomination and Remuneration Committee during the year were:

- AJ Clark (Chairman) – independent non-executive director;
- RM Graham – independent non-executive director; and
- AG Rydge – non-executive director.

Other directors who are not members of the Committee are invited to attend meetings. The Managing Director and Company Secretary are invited to attend Committee meetings. Other executives may be invited to Committee meetings at the discretion of the Committee.

The Nomination and Remuneration Committee meets at least two times per year and further as required. Details of the number of Committee meetings and the attendance of the Committee members have been included in section 9.2 of this Statement.

6. PERFORMANCE AND REMUNERATION

6.1 BOARD PERFORMANCE AND REMUNERATION

The Board reviews its performance annually to ensure that individual directors and the Board as a whole work efficiently and effectively in achieving their functions set out within the Charter. The Chairman annually assesses the Board performance of individual directors and meets privately with each director to discuss this assessment and any ideas for improvement. At this same time, directors are able to provide feedback on the performance of the Chairman. The Board as a whole discusses and analyses its own performance during the year.

The Board also has in place an annual process to review its performance as well as the performance of the Committees of the Board. Each director completes a performance evaluation questionnaire. The questionnaire covers topics including:

- the Board's role;
- composition and effectiveness;
- procedures and practices;
- behaviours;
- Board administration; and
- the conduct of the Chairman.

Directors are requested to provide comment and feedback and to evaluate each area by providing a rated response to various questions. The results of the performance evaluation are collated by the Company Secretary and submitted to the Nomination and Remuneration Committee for review. A summary of the results is then submitted to the full Board. The Board evaluation process was last completed in June 2010. The results of the performance evaluation form the basis of an action plan designed to address performance improvement opportunities.

The Group's remuneration philosophy and details of the current remuneration arrangements are outlined within the Remuneration Report. The Remuneration Report confirms that the structure of non-executive director remuneration is separate and distinct from that of senior executive remuneration.

The Nomination and Remuneration Committee is responsible for recommending to the Board, fees applicable to Non-Executive Directors. Non-executive directors may also be reimbursed for their expenses properly incurred as a director, or in the course of their duties. Non-executive directors are also encouraged to own shares in the Company. The non-executive directors do not participate in any other short or long term incentive schemes.

The maximum aggregate amount of fees that may be paid to all non-executive directors each year is capped at $1.1 million, which was approved by shareholders at the 2007 Annual General Meeting of shareholders. The Board maintains a fee buffer to give it sufficient flexibility to plan its structure in advance of specific needs that may arise. The total fees paid to non-executive directors during the reporting period were $747,706.

Information regarding the Directors' Retirement Plan has been included at section 3.9 of this Statement, and disclosed within the Remuneration Report.

6.2 EXECUTIVE PERFORMANCE AND REMUNERATION

Each year, the Board, with the assistance of the Managing Director, and the Nomination and Remuneration Committee, undertake a formal process of reviewing the performance of senior executives. The measures generally relate to the performance of the Group, the performance of the senior executive's division or department and the performance of the senior executive individually.

The Nomination and Remuneration Committee and the Board review the performance of the Managing Director. The Managing Director is not present at the Nomination and Remuneration Committee or Board meetings when his own performance and remuneration are being considered.

For senior executives, the Managing Director conducts interviews with each executive and provides comments and feedback in relation to the senior executive's performance. A formal review process occurs for each employee with nominated supervisors conducting the performance review. The formal review process occurs annually and was completed in June 2010.

Further details on the assessment criteria for the Managing Director and senior executive remuneration (including equity-based share plans) are disclosed within the Remuneration Report.

6.3 REMUNERATION REPORT

The Remuneration Report is set out with, and forms part of, the Directors' Report for the year ended 30 June 2010.

7. RISK MANAGEMENT

7.1 RISK PROFILE AND OVERSIGHT OF THE RISK MANAGEMENT SYSTEM

The Board oversees the establishment, implementation and annual review of the Group's risk management and internal control systems. Management has established and implemented the systems for identifying, assessing, monitoring and managing material operational, financial reporting, internal controls and compliance risks for the Group.

The systems and processes implemented to manage material risks include:

- risk management framework;
- clearly defined management responsibilities and organisational structure;
- delegated limits of authority;
- treasury and accounting controls and reconciliations;
- comprehensive management reporting systems;
- budgeting and strategic planning processes;
- segregation of duties;
- physical security over the Group's assets;
- appropriate policies and procedures that are widely disseminated to, and understood by, employees; and
- risk management and internal audit functions.

Divisional Managing Directors and other senior executives complete and sign off on an annual Directors' Risk Management Questionnaire. The operational and other compliance risk management procedures have also been assessed and found to be operating efficiently and effectively. All risk assessments cover the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group. The annual Directors' Risk Management Questionnaire for the year ended 30 June 2010 was completed in July 2010.

As well as the Directors' Risk Management Questionnaire, matters relating to the business risk and risk management system are analysed and discussed as part of the annual strategic planning process. The Board provides assistance to management in the development and maintenance of processes to minimise and mitigate business risks.

A summary of the Risk Management Policy is available from the Company's website or upon request from the Company Secretary.

7.2 FINANCIAL REPORTING

The Managing Director and the Director Finance & Accounting have declared, in writing to the Board that the financial report of the Group are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The declaration for the year ended 30 June 2010 was received in August 2010.

7.3 INTERNAL AUDIT

The Group Internal Audit Manager assists the Board in ensuring compliance with internal controls and risk management programs, by regularly reviewing the effectiveness of compliance and control systems. The Audit Committee is responsible for approving the program of internal audit visits to be conducted each year and the scope of the work to be performed at each location.

7.4 CODE OF CONDUCT AND ETHICAL STANDARDS

The Company has a Code of Conduct and Ethical Standards ("Code"), which has been endorsed by the Board and applies to all directors and Group employees. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code encapsulates that all directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they refer any issues arising from their employment.

The Board reviews the Code regularly and processes are in place to promote and communicate the Code's contents. The Code is available from the Company's website or upon request from the Company Secretary.

7.5 WHISTLEBLOWING POLICY

The Company has a Whistleblowing Policy for the Australian operations. The policy is designed to support and protect any employees who report non-compliant, suspicious or unethical conduct by other employees of the Group, regardless of seniority of those involved in the alleged conduct. The Whistleblowing Policy formalises the Company's commitment to protect the confidentiality and position of employees wishing to raise serious matters that affect the integrity of the Company and Group.

The Board reviews the Whistleblowing Policy regularly and processes are in place to promote and communicate the Whistleblowing Policy's contents. The Whistleblowing Policy is available from the Company's website or upon request from the Company Secretary.

7.6 LEGAL COMPLIANCE TRAINING

All senior management personnel are required to complete legal compliance training at least once every two years. The training covers such topics as:

- contract fundamentals;
- issues relating to the *Trade Practices Act 1974;*
- employment contracts, termination and redundancy;
- harassment and discrimination;
- workplace relations;
- occupational health and safety obligations; and
- corporate policies (including limits of authority and share trading).

7.7 DEALING IN COMPANY SHARES BY DIRECTORS AND EMPLOYEES

The Constitution allows directors to acquire shares in the Company. However, it is the policy of the Company that directors only buy or sell shares in the Company in the six week period immediately following any price sensitive announcement including the half year and full year results, and the Annual General Meeting. Purchases outside of this period must receive the prior approval of the Board. This policy is subject to the overall restriction that persons may at no time deal in any securities when they are in possession of price sensitive information. This policy is also applicable to employees of the Group and the policy is outlined within the Code.

All directors have entered into written agreements to notify the Company Secretary when they buy or sell shares in the Company. In accordance with the provisions of the *Corporations Act 2001* and the ASX Listing Rules, the Company Secretary advises the ASX of any transactions conducted by directors in shares in the Company. This information is also reported to the Board.

Each senior executive is requested, on an annual basis, to provide information regarding the financial arrangements (including margin loans) attached to their personal holdings of shares in the Company. In addition, each senior executive has provided an undertaking to advise the Company Secretary of any subsequent change regarding the financial arrangements (including margin loans) attached to their personal holdings of shares. This information is reported to the Board.

The Group has instituted prohibitions on employees from using derivatives or entering into transactions that operate, or are intended to operate, to limit the economic risk of security holdings over unvested performance shares issued under the Group's long term incentive scheme.

8. COMMUNICATION AND ENVIRONMENT

8.1 CONTINUOUS DISCLOSURE POLICY

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's shares, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

In summary, the Continuous Disclosure Policy operates as follows:

- the Chairman, Managing Director, Director Finance & Accounting and Company Secretary are responsible for interpreting the Continuous Disclosure Policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered and all senior executives must follow a set process, which involves monitoring all areas of the Group's internal and external environment. The Company considers it has complied with all of its continuous disclosure obligations;
- the half year report contains summarised financial information and a review of the operations of the Group during the period. The report is sent to all shareholders (unless a shareholder has specifically requested not to receive the document);
- the Annual Report is distributed to all shareholders who have requested to receive a copy. The Board ensures that the Annual Report contains disclosures required by the *Corporations Act 2001* and the ASX Listing Rules;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website;
- the Chairman's address is presented at the Annual General Meeting and subsequently distributed by mail to all shareholders; and
- notification is made to the ASX of any other significant matters regarding the Group in accordance with the ASX Listing Rules.

All of the above information, including that of the previous three years, is made available on the Group's website within one day of public release.

8.2 SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to shareholders as single resolutions and in plain English. Shareholders are requested to vote on the appointment and maximum aggregate amount of fees that may be paid to all non-executive directors, the granting of performance shares to the Managing Director and changes to the Constitution.

The external auditor attends the Annual General Meeting to answer shareholder questions about the conduct of the audit and the preparation and content of the Independent Audit Report. The meeting is held in Sydney and shareholders can attend in person or send a proxy as their representative. Unless indisposed, all current directors and senior executives attend the meeting, along with the external auditor.

A copy of the Constitution is available to any shareholder who requests it.

8.3 ENVIRONMENTAL REPORTING SYSTEMS

The Group's operations are subject to various environmental regulations under Commonwealth, state or territory and other applicable legislation.

The Group has an established environmental reporting system for its environmentally sensitive businesses, which monitors compliance with existing environmental regulations and new regulations as they are enacted. The recreational and other ancillary activities conducted by those businesses are subject to various licences and legislation issued under environmental laws that apply in each respective location. The Board has a responsibility to ensure that robust systems are in place to manage the assets in a sustainable and responsible manner and to ensure that the activities of each business are conducted in compliance with legislation.

The reporting system is documented in a legal compliance manual and includes procedures to be followed should an incident occur which may adversely impact the environment. The directors are not aware of breaches of any applicable legislation during the year, which are material in nature, and have no reason to believe that any possible legal or remedial action would result in a material cost or loss to the Group.

9. DIRECTORS' QUALIFICATIONS AND ATTENDANCE AT MEETINGS

9.1 DIRECTORS' QUALIFICATIONS, EXPERIENCE AND INDEPENDENT STATUS

ALAN RYDGE

Age 58. Non-executive Chairman, Board member since 1978, Chairman of the Board since 1980, Audit Committee member and Nomination and Remuneration Committee member.

Experience

A company director with 30-plus years experience in the film, hospitality, leisure and tourism industries. Joined the Greater Union group in 1971 and was formerly the Group Managing Director.

Directorships

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

KENNETH CHAPMAN
MB,BS, FAICD, FAIM, AFRACMA

Age 48. Independent non-executive director and Board member appointed 18 February 2010.

Experience

A company director with 20-plus years senior executive experience in the tourism area. Currently, chief executive officer of Skyrail Rainforest Cableway and Skyrail-ITM and executive director of the Chapman group of companies.

Directorships

Mr Chapman held the following positions during the year:

- chairman of Far North Queensland Hospital Foundation;
- director of Far North Queensland Ports Corporation Limited (chairman since July 2010);
- chairman of Skyrail Rainforest Foundation Limited;
- director of GFB Fisheries Limited; and
- director of various entities associated with the privately held Chapman group of companies.

ANTHONY CLARK AM, FCA, FAICD

Age 71. Independent non-executive director, Board member since 1998, Audit Committee member and Nomination and Remuneration Committee member.

Mr Clark is chairman of the Audit Committee and Nomination and Remuneration Committee and is the lead independent director.

Experience

A company director with 40-plus years accounting, audit, consulting and finance related experience. Mr Clark previously practised as a Chartered Accountant.

Directorships

Directorships of other listed companies, held during the last three years, include:

- Carlton Investments Limited (appointed 2000);
- Cumnock Coal Limited (appointed director and chairman 2001 and resigned 2007); and
- Ramsay Health Care Limited (appointed 1998).

In addition, Mr Clark was previously the deputy chairman of Tourism Australia (resigned December 2006).

PETER COATES AO

Age 64. Independent non-executive director and Board member appointed 10 July 2009.

Experience

A company director with 40-plus years senior executive experience in the mining and commodities industries. Mr Coates' experience includes exposure to domestic and international business practices, mergers and acquisitions and the development of industry-leading workplace reporting and governance standards for numerous joint venture partnerships and companies listed in Australia and the United Kingdom. Former non-executive chairman of Xstrata Australia Pty Limited and chief executive of Xstrata Coal.

Directorships

Directorships of other listed companies, held during the last three years, include:

- Downer EDI Limited (appointed 2008 and resigned 2009);
- Minara Resources Limited (appointed director and chairman 2008); and
- Santos Limited (appointed director 2008 and chairman 2009).

Mr Coates was past chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association and a member of the APEC 2007 Business Consultative Group, the Prime Minister's Emission Trading Task Group, NSW Minerals Ministerial Advisory Council and Business Council of Australia.

THOMAS FORD FAICD

Age 70. Mr Ford resigned as a director on 23 October 2009. Prior to resignation, Mr Ford held the position of independent non-executive director and Board member having been appointed in 1993.

Experience

A company director and Investment Banker with 40-plus years of banking and finance related experience. Previous directorships include Resolute Mining Limited and Australian Pipeline Trust.

Directorships

Directorships of other listed companies, held during the last three years, include:

- Resolute Mining Limited (appointed 2001); and
- Australian Pipeline Trust (appointed 1999 and resigned 2004).

In addition, Mr Ford is a director of Australian Jockey Club Limited and chairman of Resimac Limited.

ROBERT GRAHAM
BE SYDNEY, MBA HARVARD, FAICD

Age 73. Independent non-executive director, Board member since 1990, Audit Committee member and Nomination and Remuneration Committee member.

Experience

A company director with 40-plus years experience as a management consultant and senior executive. Former group general manager and director of Consolidated Press Holdings Limited and managing director of Samuel Taylor.

Directorships

Mr Graham was a former director of the Australian Institute of Company Directors (1998 – 2001).

RICHARD NEWTON BBUS (MARKETING), FAICD
Age 50. Independent non-executive director and Board member since 2008.

Experience

A company director with 20-plus years senior executive experience in property investment and development, specifically in hotel operations.

Directorships

Mr Newton held the following positions during the year:

- chairman of Capricorn Village Joint Venture, WA;
- director of Carlton Football Club;
- director of Mobileworld Communications Pty Limited (resigned November 2009); and
- director of Selpam (Australia) Pty Limited (chairman since 2007) and a director of various companies wholly owned by Selpam (Australia) Pty Limited.

DAVID SEARGEANT
Age 60. Managing Director, Board member since 2001 and appointed Managing Director in January 2002.

Experience

Managing Director with 30-plus years experience in the hospitality and leisure industries. Former managing director of Rydges Hotels group (1988 – 2002) and the Greater Union group (2000 – 2002).

Directorships

Mr Seargeant is also a director of Tourism Training Australia.

Explanation of abbreviations and degrees:
AFRACMA Associate Fellow of The Royal Australasian College of Medical Administrators; AM Member in the Order of Australia; AO Officer in the Order of Australia; BBus (Marketing) Bachelor of Business (Marketing); BE Sydney Bachelor of Engineering, The University of Sydney; FAICD Fellow of the Australian Institute of Company Directors; FAIM Fellow of the Australian Institute of Management; FCA Fellow of The Institute of Chartered Accountants in Australia; MBA Harvard Master of Business Administration, Harvard University; and MB,BS Bachelor of Medicine, Bachelor of Surgery.

9.2 DIRECTORS' ATTENDANCE AT MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

	Directors' meetings		Audit Committee meetings		Nomination and Remuneration Committee meetings		Special Purpose Committee meetings	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
AG Rydge	14	14	4	4	3	3	3	3
KG Chapman [(a)]	5	5	–	–	–	–	–	–
AJ Clark	14	14	4	4	3	3	3	3
PR Coates [(b)]	14	14	–	–	–	–	3	3
TC Ford [(c)]	5	5	–	–	–	–	–	–
RM Graham	14	13	4	4	3	3	–	–
RG Newton	14	13	–	–	–	–	–	–
DC Seargeant [(d)]	14	14	4	4	3	3	3	3

(a) KG Chapman was appointed 18 February 2010.
(b) PR Coates was appointed 10 July 2009.
(c) TC Ford resigned 23 October 2009.
(d) Attended Audit Committee and Nomination and Remuneration Committee meetings by invitation.

During the financial year, directors also visited various sites to improve their understanding of the Group's site locations and operations.

10. RECOMMENDATIONS

		Reference	Comply
Recommendation 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	3.1	Yes
Recommendation 1.2	Companies should disclose the process for evaluating the performance of senior executives.	6.2	Yes
Recommendation 1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1. GUIDE TO REPORTING ON PRINCIPLE 1 The following material should be included in the corporate governance statement in the annual report:		
	• an explanation of any departure from Recommendations 1.1, 1.2 or 1.3; and	–	Not applicable
	• whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.	6.2	Yes
	A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	3.1	Yes
Recommendation 2.1	A majority of the board should be independent directors.	3.3, 9.1	Yes
Recommendation 2.2	The chair should be an independent director	3.5, 9.1	No

		Reference	Comply
Recommendation 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	3.3	Yes
Recommendation 2.4	The board should establish a nomination committee.	3.2	Yes
Recommendation 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	6.1	Yes
Recommendation 2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2. GUIDE TO REPORTING ON PRINCIPLE 2 The following material should be included in the corporate governance statement in the annual report:		
	• the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;	3.3, 9.1	Yes
	• the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds;	3.4, 9.1	Yes
	• the existence of any of the relationships affecting the independent status of a director and an explanation of why the board considers a director to be independent, notwithstanding the existence of those relationships;	3.4	Yes
	• a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company;	3.8	Yes
	• the period of office held by each director in office at the date of the annual report;	9.1	Yes
	• the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out;	5.2, 9.2	Yes
	• whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and	6.1	Yes
	• an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.	3.3, 3.4, 3.5	Yes
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors;	3.3	Yes
	• the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and	5.2	Yes
	• the board's policy for the nomination and appointment of directors.	3.3	Yes
Recommendation 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	7.4, 7.5	Yes
Recommendation 3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	7.4, 7.7	Yes
Recommendation 3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3. GUIDE TO REPORTING ON PRINCIPLE 3		
	An explanation of any departure from Recommendations 3.1, 3.2 or 3.3 should be included in the corporate governance statement in the annual report The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:	–	Not applicable
	• any applicable code of conduct or a summary; and	7.4	Yes
	• the trading policy or a summary.	7.7	Yes
Recommendation 4.1	The board should establish an audit committee.	3.2, 4.1, 4.2	Yes

		Reference	Comply
Recommendation 4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	4.2	Yes
Recommendation 4.3	The audit committee should have a formal charter.	4.1	Yes
Recommendation 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4. **GUIDE TO REPORTING ON PRINCIPLE 4** The following material should be included in the corporate governance statement in the annual report:		
	• the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out;	4.2, 9.1, 9.2	Yes
	• the number of meetings of the audit committee; and	4.2, 9.2	Yes
	• explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.	–	Not applicable
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• the audit committee charter; and	4.1	Yes
	• information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	4.1	Yes
Recommendation 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	8.1	Yes
Recommendation 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5. **GUIDE TO REPORTING ON PRINCIPLE 5**		
	An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report.	–	Not applicable
	The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.	8.1	Yes
Recommendation 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	8.1, 8.2	Yes
Recommendation 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6. **GUIDE TO REPORTING ON PRINCIPLE 6**		
	An explanation of any departure from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.	–	Not applicable
	The company should describe how it will communicate with its shareholders publicly, ideally by posting this information on the company's website in a clearly marked corporate governance section.	8.1, 8.2	Yes
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7.1	Yes
Recommendation 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	3.1, 4.1, 7.1, 7.2, 7.3	Yes

		Reference	Comply
Recommendation 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	7.2	Yes
Recommendation 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.		
	GUIDE TO REPORTING ON PRINCIPLE 7		
	The following material should be included in the corporate governance statement in the annual report:		
	• explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4;	–	Not applicable
	• whether the board has received the report from management under Recommendation 7.2; and	7.1	Yes
	• whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.	7.2	Yes
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• a summary of the company's policies on risk oversight and management of material business risks.	7.1	Yes
Recommendation 8.1	The board should establish a remuneration committee.	3.2, 5.1, 5.2	Yes
Recommendation 8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	6.1, 6.2	Yes
Recommendation 8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.		
	GUIDE TO REPORTING ON PRINCIPLE 8		
	The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:		
	• the names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out;	5.2, 9.1, 9.2	Yes
	• the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and	3.9, 6.1	Yes
	• an explanation of any departures from Recommendations 8.1, 8.2 or 8.3.	–	Not applicable
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and	5.1	Yes
	• a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	7.7	Yes

Directors' Report

The directors present their report together with the financial report of Amalgamated Holdings Limited, being the Company and its controlled entities ("Group"), for the year ended 30 June 2010 and the auditor's report thereon.

Directors

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

Mr AG Rydge (Chairman)
Director since 1978

Mr AJ Clark (lead independent director)
Director since 1998

Mr KG Chapman
Appointed 18 February 2010

Mr PR Coates
Appointed 10 July 2009

Mr RM Graham
Director since 1990

Mr RG Newton
Director since 2008

Mr DC Seargeant (Managing Director)
Director since 2001 and Managing Director since 2002

Mr TC Ford was a director since 1993 and resigned 23 October 2009.

Particulars of the qualifications, experience and independence status of each director, as at the date of this report, are set out within the Corporate Governance Statement included with the Annual Report.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year has been disclosed within the Corporate Governance Statement included with the Annual Report.

Company secretary

Mr GC Dean CA, ACIS was appointed to the position of Company Secretary for Amalgamated Holdings Limited in December 2002. GC Dean was Accounting Manager for the Company (2001 – 2002) and was previously employed by an international mining corporation and a regional accounting practice. GC Dean is a Chartered Accountant and a member of Chartered Secretaries Australia.

Principal activities

The principal activities of the Group during the course of the year were:

- motion picture exhibition in cinemas;
- operation of hotels, resorts and restaurants;
- ownership of cinema, drive-in and hotel properties;
- ownership and operation of Thredbo Alpine Resort;
- ownership and operation of Featherdale Wildlife Park;
- ownership and operation of the State Theatre, Sydney;
- ownership of investment properties, including office and retail properties;
- property development activities;
- supply of film processing and cinema equipment; and
- investment in shares in listed and unlisted companies.

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

Significant changes in the state of affairs

The significant change in the state of affairs of the Group during the year included the acquisition of the SKYCITY cinema business in February 2010. The business includes 14 cinemas (106 screens) located throughout New Zealand, a 50% interest in Rialto Cinemas in New Zealand which has three cinemas (16 screens) and a 66.67% interest in SKYCITY Cinemas Fiji which has two cinemas (10 screens).

Operating and financial review

The normalised result before individually significant items and income tax expense was $127,255,000 (2009: $93,894,000), an increase of $33,361,000 or 35.5% above the prior year result. Net profit was $98,772,000 (2009: $69,483,000), an increase of $29,289,000 or 42.2% above the prior year result.

Individually significant items in the current year totalled $9,189,000 and included a $10,163,000 development gain on the valuation and reclassification of the Canberra Civic property to an investment property and $8,304,000 development profit on sale of the residential land lots at former Bass Hill Drive-In site. The gain and profit were offset by various impairment adjustments and an onerous contract provision totalling $9,278,000 (net of impairment reversals). Individually significant items in the previous year totalled $5,340,000 and consisted of write-downs in the carrying value of land and buildings.

In the prior year, there was a fair value decrement of $1,030,000 relating to the revaluation of those Group properties classified as investment properties.
The current year includes a fair value increment totalling $275,000 relating to the investment properties.

	2010				2009			
	Normalised result*	Discontinued operations	Individually significant items	Total	Normalised result*	Discontinued operations	Individually significant items	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ENTERTAINMENT								
Australia	52,979	–	3,262	56,241	42,983	–	–	42,983
New Zealand	694	–	–	694	–	–	–	–
Germany	30,166	–	(1,215)	28,951	12,016	–	–	12,016
United Arab Emirates	9,005	–	–	9,005	11,085	–	–	11,085
HOSPITALITY & LEISURE								
Hotels	27,776	–	(5,800)	21,976	24,530	–	(3,028)	21,502
Thredbo Alpine Resort	15,046	–	–	15,046	16,012	–	–	16,012
Leisure/Attractions	2,424	–	–	2,424	1,574	–	–	1,574
ENTERTAINMENT TECHNOLOGY								
Technology	1,780	–	–	1,780	(761)	–	–	(761)
STRATEGIC INVESTMENTS								
Available-for-sale investments	428	–	–	428	428	–	–	428
Property	4,135	–	12,942	17,077	2,127	–	(2,312)	(185)
Unallocated revenues and expenses	(13,431)	–	–	(13,431)	(12,428)	250	–	(12,178)
	131,002	**–**	**9,189**	**140,191**	**97,566**	**250**	**(5,340)**	**92,476**
Finance revenue	858	–	–	858	1,440	–	–	1,440
Finance costs	(4,605)	–	–	(4,605)	(5,112)	–	–	(5,112)
	127,255	**–**	**9,189**	**136,444**	**93,894**	**250**	**(5,340)**	**88,804**
Income tax expense	(35,705)	–	(1,967)	(37,672)	(22,932)	–	–	(22,932)
Income tax benefit from discontinued operations	–	–	–	–	–	3,605	–	3,605
	91,550	–	7,222	98,772	**70,962**	**3,855**	**(5,340)**	**69,477**
Non-controlling interest	–	–	–	–	6	–	–	6
Net profit	**91,550**	**–**	**7,222**	**98,772**	**70,968**	**3,855**	**(5,340)**	**69,483**

* Normalised result is profit/(loss) before individually significant items, discontinued operations, non-controlling interest and income tax.

An analysis of the last five years is outlined below:

	2010	2009	2008	2007	2006
Total revenue and other income ($'000)	812,840	712,311	619,028	628,905	614,612
Net profit^ ($'000)	98,772	69,483	99,369	82,195	59,441
Basic earnings per share (cents)	66.4	48.2	77.3	64.6	47.3
Dividends declared ($'000)	58,522	41,727	38,738	35,854	30,261
Dividends per share (cents)	37.0	32.0	30.0	28.0	24.0

^ Net profit after individually significant items, net finance costs, non-controlling interest and income tax.

INVESTMENTS

The Group acquired property, plant and equipment and software totalling $83,845,000 during the year. The acquisitions were primarily attributable to the purchase of Rydges Gladstone and Rydges Townsville, the expansion of the existing cinema circuits, refurbishment requirements for the cinemas, hotels and resorts and the infrastructure and operational requirements for the Thredbo Alpine Resort. Acquisitions exclude capital expenditure incurred through partnership activities.

In February 2010, the Group acquired the SKYCITY cinema business. The net purchase price was $43,897,000. The business includes 14 cinemas (106 screens) located throughout New Zealand, a 50% interest in Rialto Cinemas in New Zealand which has 3 cinemas (16 screens) and a 66.67% interest in SKYCITY Cinemas Fiji which has 2 cinemas (10 screens). All cinema properties in New Zealand are leasehold, whereas the sites in Fiji are owned sites.

In addition, the Group acquired the Beverly Hills and Cronulla cinema complexes, the 50% interest in the Glendale Cinema not already owned by the Group and an interest in a cinema site in Noosa, Queensland for a total consideration of $17,892,000.

CAPITAL STRUCTURE

The Group completed a 1 for 5 Renounceable Pro-rata Entitlement Offer in December 2009. The offer closed oversubscribed and the Company issued 26,080,088 shares at $4.10 per share and raised net proceeds totalling $105,987,000.

In February 2010, the Company announced the reintroduction of the Dividend Reinvestment Plan and in March 2010 the Company issued 2,150,415 shares at $5.48 per share. In addition, the Company issued 570,193 performance shares to employees under the Executive Performance Share Plan in June 2010.

Borrowings decreased by $33,344,000 during the year. The net debt to book equity ratio has decreased to 0.2% as at 30 June 2010 (2009: 9.5%).

TREASURY POLICY

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

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. The Group currently hedges interest bearing debt in AUD, EUR and NZD with cover at 30 June 2010 extending to March 2012 in AUD to December 2010 in EUR and to September 2011 in NZD. At 30 June 2010, due to the low level of Group debt, the Group had only 20% (2009: 64%) of debt hedged.

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

LIQUIDITY AND FUNDING

The Group's secured bank debt facilities comprise the following:

- A$160,000,000 of revolving multi-currency loan facility;
- A$70,000,000 of cash advance facility;
- A$38,750,000 of credit support facility (for the issue of letters of credit and bank guarantees); and
- A total of A$5,050,000 in overdraft limits to support its transactional banking facilities.

The above facilities mature on 10 July 2012. These facilities are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 0.45% to 0.90%. At 30 June 2010, the Group had drawn $40,624,000 (2009: $67,093,000) under the debt facilities, of which 20% was subject to interest rate swaps used for hedging.

In addition to the above facilities, wholly owned subsidiaries in Germany have a working capital facility totalling €9,000,000 (A$12,896,000), secured by a letter of credit and bank guarantees drawn under the credit support facility in Australia. Debt drawn under this facility bears interest at the relevant inter-bank benchmark reference rate plus a margin of 0.85%. This facility is subject to annual review. At 30 June 2010, the Group had no debt drawn under this facility (2009: debt of A$700,000).

Use of funds under the Group's main bank facilities is limited by certain undertakings; however, it is considered that the Group has sufficient bank facilities available to meet any investment opportunities and seasonal fluctuations in working capital requirements.

CASH FLOWS FROM OPERATIONS

Operating net cash inflows increased to $136,586,000 from $101,991,000 in the prior year to 30 June 2009. The increase was mostly attributable to increased revenues from operations, particularly from the exhibition businesses, with a significant improvement from the Australian and German Cinema Exhibition segments.

IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

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

REVIEW OF OPERATIONS BY DIVISION

ENTERTAINMENT

CINEMA EXHIBITION – AUSTRALIA

As at 30 June	2010	2009	Movement
Cinema locations*	55	53	2
Cinema screens*	473	460	13

* Managed and joint venture cinema sites.

The normalised profit before interest and income tax expense was $52,979,000, an increase of $9,996,000 on the prior year result.

The Australian cinema circuit experienced a strong year, achieving a 16.3% increase in Box Office over the prior year. This result was driven by the strong performance of the 3D blockbuster *Avatar*, which achieved a record at the Australian box office grossing in excess of $115 million. Other major contributors were *Harry Potter and the Half-Blood Prince* and *Transformers: Revenge of the Fallen* which both achieved in excess of $40 million and *Alice in Wonderland*, *The Twilight Saga: New Moon*, *Ice Age 3: Dawn of the Dinosaurs*, *Up* and *Iron Man 2* each grossing in excess of $25 million.

During the year, the Group significantly expanded its 3D digital footprint so as to capitalise on the increasing number of titles being released in 3D. Over the 12 month period, an additional 55 3D projectors were installed over the circuit, taking the total number of projectors to 110, which is the largest deployment of any exhibitor within Australia.

Merchandising revenue continued to grow with a 6.8% improvement in revenue per admission over the prior year. This growth was driven by the continued rollout of the successful self serve Scoop Alley candy bar concept, a number of successful Candy Bar Combo promotions and the ongoing success of the Gold Class concept. The increased Box Office and merchandising revenue contributed to the 23.3% growth in earnings for the Australian circuit.

The continued focus on driving growth in online ticket sales was boosted by the new mobile and iPhone applications. In addition, a continued focus on corporate sales as well as the broadening of retail sales channels for gift card products resulted in a 9.2% increase in the sale of these products.

During October 2009, the Group purchased the Beverly Hills and Cronulla cinema businesses. Both cinemas comprise of six screens and are located within south-western and southern Sydney. Additionally in June 2010, the Group purchased the Noosa cinema business located on the Sunshine Coast and closed The Regent cinema complex located in the Brisbane CBD.

Subsequent to the end of the financial year, the Group announced it had acquired the Moonlight Cinema business for $1,750,000. Moonlight Cinema operates an outdoor cinema business across five sites, located in Sydney, Melbourne, Adelaide, Brisbane and Perth. Settlement of this transaction is expected in September 2010, subject to certain conditions precedent being met.

The contribution for the Group's 50% interest in the Village managed circuit in Victoria showed a significant increase over the prior year due largely to the strong movie line-up and a focus on control of operating costs.

CINEMA EXHIBITION – NEW ZEALAND & FIJI

As at 30 June	2010	2009	Movement
Cinema locations*	19	–	N/A
Cinema screens*	132	–	N/A

* Managed and joint venture cinema sites.

In February 2010, the Group completed the transaction to purchase the SKYCITY cinema business in New Zealand. The business consists of 14 leasehold cinemas, the Rialto Joint Venture (50% share in three cinemas) and the Fiji Cinema Joint Venture (66.67% share in two cinemas).

The normalised profit before interest and income tax expense for the period since acquisition was $694,000.

A total of 12 of the wholly owned cinemas, which had previously been branded Skycity Cinemas were rebranded to Event Cinemas. A major marketing campaign was undertaken in June 2010 to launch and promote the Event Cinemas brand. The Embassy and New Plymouth cinemas retained their original independent cinema names.

The circuit experienced a strong year, with Box Office up 36.5% on the prior year. This result was underpinned by the strong performance of *Avatar*, which achieved a record in excess of $17 million at the New Zealand box office and the local New Zealand produced *Boy* which grossed in excess of $9 million. Other major contributors were *Harry Potter and the Half-Blood Prince*, *Alice in Wonderland*, *The Twilight Saga: New Moon*, *Ice Age 3: Dawn of the Dinosaurs* and *Up* with each film grossing in excess of $5 million.

Merchandising revenue showed good growth with a 5% improvement in revenue per admission over the prior year. This growth was driven by a focused approach on a number of successful Candy Bar Combo promotions.

During the year, an additional six new 3D projectors were installed over the circuit, taking the total amount of projectors to 10, which helped the circuit capitalise on the increased number of 3D films.

CINEMA EXHIBITION – GERMANY

As at 30 June	2010	2009	Movement
Cinema locations*	62	66	(4)
Cinema screens*	464	504	(40)

* Managed and joint venture cinema sites.

The normalised profit before interest and income tax expense was $30,166,000, an increase of $18,150,000 on the prior year result.

The Group's cinema exhibition operations in Germany again produced an excellent result following on from the strong result of the prior year. The increase was largely achieved in the first half of the financial year. Results for the last three months of the financial year were disappointing with warmer weather in Germany and a lack of quality film product, particularly German film product. The Football World Cup also had a significant negative effect on the results for the month of June 2010 with no major film releases from the start of the event to 30 June.

Box office revenue in Euros increased by 16.2% on the prior year. Admissions increasing by 4.4% with average admission price showing an increase of 11.2%.This increase in average admission price was driven partly by the additional surcharge on 3D admissions. A total of 36 screens at 28 sites have 3D capability across the German circuit.

The top performing films at the German box office for the financial year were *Avatar*, *Ice Age: Dawn of the Dinosaurs*, *Harry Potter and the Half-Blood Prince*, *Twilight Saga: New Moon*, *2012* and the German productions *Wickie und die starken Männer* and *Zweiohrküken*.

German films contributed 18% of the box office compared with 18.9% in the prior year. Live broadcasts of The Metropolitan Opera have been very successful. These featured at a select number of cinemas sites in Germany. Four cinema sites were closed during the year to 30 June 2010.

The strengthening of the Australian dollar against the Euro had a negative impact on the result when translated to Australian dollars.

CINEMA EXHIBITION – UNITED ARAB EMIRATES

As at 30 June	2010	2009	Movement
Cinema locations*	5	4	1
Cinema screens*	50	40	10

* Joint venture cinema sites.

The contribution from the Group's interest in the cinema circuit based in the United Arab Emirates was $9,005,000.

Despite increasing competition in the region, the circuit traded strongly with Box Office revenue in Dirhams up on the prior year by 3.6% and merchandising spend per head up by 8.7%. The opening of a new 10-screen cinema at Mirdif in March of this year assisted with this growth, together with an increase in the average admission price, which was up 8% on the prior year. The increase in the average admission price can be largely attributed to an increase in the volume of 3D content and the availability of VIP seating options at Mirdif, both of which are sold at a higher ticket price.

The strengthening of the Australian dollar against the Dirham negatively impacted the contribution from the circuit when translated to Australian dollars.

HOSPITALITY AND LEISURE

RYDGES HOTELS AND RESORTS

As at 30 June	2010	2009	Movement
Locations*	41	39	2
Rooms*	7,528	6,761	767

* Owned and managed hotels.

The normalised profit before interest and income tax expense was $27,776,000, an increase of $3,246,000 on the prior year result.

Occupancy in the Group's owned hotels was 75.6%, up 2.3 percentage points over the prior year. Occupancy for like-for-like hotels was at the highest level achieved in over a decade. Growth was driven by significant levels of promotional activity designed to combat weaker demand in the first half of the year. Occupancy also benefited from strengthening demand as restrictions on corporate and conference travel eased in the fourth quarter of the year.

Continued price sensitivity maintained pressure on room rate; however, the stronger occupancy and market share enabled revenue per-available-room to grow (on a like-for-like basis) by almost 3% on the prior year.

Trading conditions were most favourable in Australian mainland capital cities, with Sydney hotels leading the recovery. The trading environment is more difficult in regional areas, particularly the Queensland resort locations, although signs of a strengthening in demand did emerge towards the end of the year. Internationally, London is trading well, and whilst occupancies have returned to normal levels in New Zealand and Dubai, rates have not yet begun to recover.

The Group continues to leverage the increasingly powerful combination of *rydges.com* and the *Rydges PriorityGUEST* program to deal directly with guests and drive increasing revenues into hotels. The program increased membership by 85,000, finishing the year with 331,000 members. Revenue booked via rydges.com increased by some 18% over the prior year.

The focus on expanding innovative food and beverage offerings across the Group continued with the launch of new bar and restaurant concepts in several owned hotels.

Major extensions at the managed Rydges Bell City and Rydges Auckland hotels were completed during the year and two new 'Art Series' hotels opened under Rydges management in Melbourne.

The Group acquired Rydges Gladstone and Rydges Townsville in late October 2009. The total acquisition cost of the two hotels was $36,132,000.

A review of the carrying value of owned hotel properties as at 30 June 2010 resulted in an impairment write-down totaling $5,800,000. The impairment write-down has been disclosed as an individually significant item for the year ended 30 June 2010.

THREDBO ALPINE RESORT

The normalised profit before interest and income tax expense was $15,046,000, a decrease of approximately 6.0% on the prior year.

Thredbo experienced solid trading despite inconsistent natural snow conditions for Winter 2009. Favourable snow and weather conditions during the months of July and August 2009 were followed by varied and unseasonal conditions from September to the end of the 2009 ski season. The warmer September 2009 weather for Sydney, the resort's major market place, also impacted visitation. The full benefit of the investment in snow-making was particularly evident in the early part of the season.

Thredbo achieved approximately 369,000 skier days, 6% below the prior year.

Thredbo continues to maintain a focus on summer activities and events. The summer events, including The Snowy Ride and Blues and Jazz Festivals, assist in drawing visitors to the alpine area and building Thredbo as a year-round destination.

The start of Winter 2010 commenced well with good natural snow falls; however, more recently, all Australian ski-resorts have had to rely on snow-making. The prevailing temperatures have greatly assisted and Thredbo has been able to utilise the full benefit of the automated snow-making facilities.

LEISURE AND ATTRACTIONS

The normalised profit before interest and income tax expense was $2,424,000, an increase of $850,000 on the prior year result.

The Featherdale result increased by 8% over the prior year. The result was commendable given that the prior year benefited from increased visitation during the World Youth Day celebrations. Strong domestic admission growth and improved yields offset the continued weakness in the inbound tourist market.

An increased number of performances held at the State Theatre resulted in significantly improved trading conditions compared to the prior year.

ENTERTAINMENT TECHNOLOGY

The normalised profit before interest and income tax expense was $1,780,000, an increase of $2,541,000 on the prior year result.

Edge Digital Technology continued to benefit from the ongoing rollout of digital technology to cinema operators in Australia and New Zealand. Filmlab continued to produce a satisfactory result.

STRATEGIC INVESTMENTS

PROPERTY

The normalised profit before interest and income tax expense was $4,135,000, an increase of $2,008,000 on the prior year. Contributing to the improved result was a fair value increment of $275,000 on the revaluation of the Group's investment properties compared to a fair value decrement in the prior year of $1,030,000.

Construction of the seven-level commercial office development at the former cinema site in Canberra Civic was completed in December 2009. The building is fully leased to ActewAGL and a favourable fair value adjustment of $10,163,000 in relation to this development has been included as an individually significant item.

The residential subdivision of the Bass Hill Drive-In site is progressing well, with 52 unconditional contracts exchanged as at 30 June 2010. A profit of $8,304,000 has been booked as an individually significant item in relation to these contracts as at 30 June 2010.

At year end, an impairment write-down totalling $5,525,000 was booked in relation to plant and equipment at the Gowings and State Theatre Office buildings in Sydney. The write-down was recognised due to the planned hotel and retail redevelopment of the two buildings, which will result in certain plant items becoming redundant. The write-down has been included as an individually significant item.

Strategic Plans by Division

The Group's strategic plan, which includes future expansion, will depend on industry, economic and political conditions, the potential impact of global events, the future financial performance and available capital, the competitive environment, evolving customer needs and trends, and the availability of attractive opportunities. It is likely that the Group's strategies will continue to evolve and change in response to these and other factors, and there can be no absolute assurance that these current strategies, as detailed below, will be achieved.

ENTERTAINMENT

The strategic plans for Entertainment are applicable to both the domestic and international cinema businesses.

CINEMA EXHIBITION – DOMESTIC AND INTERNATIONAL

Enhancing the customer experience

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

- the continued refurbishment of existing cinemas and expansion of the number of cinemas with the Event Cinemas brand;
- expansion of the Gold Class cinema concept to certain cinema locations within the Australian domestic circuit;
- expansion of the Vmax cinema concept which provides the ultimate big screen cinema experience through larger screens and seats than a traditional auditorium;
- continued improvement of food and beverage outlets within the cinemas to maximise food and beverage revenue opportunities;
- continued expansion of the 3D digital footprint within the Australian domestic circuit to ensure all regions have access to the release of 3D titles; and
- enhanced customer communication and ticketing through online applications.

Maximising returns from existing locations

The cinema exhibition markets in Australia, and those international locations in which the Group currently operates, are considered to be mature markets with limited growth and expansion opportunity. The Group anticipates achieving growth primarily through further expansion of the premium cinema concepts of Gold Class and Vmax and building higher frequency through loyalty programs.

Rationalising under-performing cinema sites

The Group will continue to pursue the policy of rationalising under-performing cinema sites. All sites, in all territories, are reviewed periodically and, where it is assessed that there is limited profit or potential for performance turnaround, an exit strategy is formulated. Where the site (or group of sites) is subject to long term leases, the exit strategy may be over a protracted period of time.

Industry developments

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

- increase in capital expenditure resulting from the deployment of a digital platform for film exhibition;
- alternative film delivery methods and the rise in popularity of other forms of entertainment (including DVD ownership and the increase of home entertainment systems);
- shortening of the release window of film to DVD; and
- increase in unauthorised recording (piracy) of audio and visual recordings for commercial sale.

HOSPITALITY AND LEISURE

RYDGES HOTELS AND RESORTS

Enhancing the guest experience

The Group will continue to provide hotel guests with quality 4 star accommodation that consistently delivers a product and service that meets or exceeds guest expectations. To provide this, the Group will continue to pursue the following strategies:

- a constant focus on innovative and dynamic recruitment and training practices to ensure talented and dynamic people are attracted to work in Rydges Hotels;
- maintenance of all hotels at 4 star standard and when required, rejuvenation of key areas of hotels to ensure Rydges' reputation continues to be enhanced;
- a specific focus on creating stand out food and beverage experiences that build incremental spend and enhance each hotel's reputation; and
- maintenance of a leadership position in the online distribution and booking capabilities for guests. The *Rydges PriorityGuest* program and the sales and revenue structure are important support functions for the online strategy.

Increasing the number of hotel rooms

The Group will continue to seek opportunities for future growth through gaining of new hotel management agreements and freehold acquisitions.

Maximising returns from existing locations

The Group anticipates achieving continuing improvements in results through growth in market share and initiatives that drive increased spend and capture rates in all hotels.

THREDBO ALPINE RESORT

Premier holiday destination

The key strategy for the Thredbo Alpine Resort is to maintain the facility as one of the premier Australian holiday destinations. This strategy includes:

- continuing to ensure the popularity, high quality and ambience of the winter-time resort facility;
- enhancing of snow-making automation to minimise risks in poor seasons;
- increasing the summer and shoulder visitations by both leisure and conference guests;
- staging special events that help to promote the resort; and
- ensuring that the environmental integrity of the resort is maintained and, where possible, improved.

Maximising returns from existing facility

The Group anticipates that the resort will achieve growth through shoulder periods, summer revenue and cost improvements, increased visitation and increased occupancy rates.

ENTERTAINMENT TECHNOLOGY

The strategic plans for Entertainment Technology are applicable to each of the technology businesses.

EDGE DIGITAL TECHNOLOGY AND FILMLAB

Maintaining pace with technological advances

The Group will continue to build and maintain knowledge in relation to evolving cinema systems, and in particular digital projection systems.

Maximising returns from existing businesses

The Group is focusing on restructuring business processes to reduce the level of operating costs of the existing business and ensuring the appropriate structures are in place for the rollout of the digital platform.

Industry developments

The Group expects that a digital platform will replace the current 35mm film release printing process over the next one to three years. The Group is assessing potential income streams from digital content delivery platforms, including alternate content distribution.

STRATEGIC INVESTMENTS

PROPERTY

Maximising returns from existing investments

The Group has a number of property assets that it intends to redevelop over time. The timing of these redevelopments is dependent on the type of use and stage of the property cycle.

DIVIDENDS

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

Type	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit
DECLARED AND PAID DURING THE YEAR				
Final 2009 dividend	21	27,383	17 September 2009	30%
Interim 2010 dividend	14	21,907	29 March 2010	30%
		49,290		
DECLARED AFTER THE END OF THE YEAR				
Final 2010 dividend	23	36,615	16 September 2010	30%

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

Remuneration Report

The Remuneration Report, which forms part of the Directors' Report, is set out on pages 20 to 27 and has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Events subsequent to reporting date

Subsequent to 30 June 2010, the Group announced the acquisition of the Moonlight Cinema business for a purchase price of $1,750,000. Moonlight Cinema is an outdoor cinema operation with five sites screening films in Melbourne, Sydney, Perth, Brisbane and Adelaide during the three month summer season.

Other than the matter outlined above, there has not arisen in the interval between the end of the year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future years.

Likely developments

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

Directors' interests

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

Director	Ordinary shares held directly	Ordinary shares held by companies in which a director has a beneficial interest [(a)]	Options held directly	Performance shares held directly
AG Rydge	3,037,915	68,548,033	–	–
AJ Clark	30,000	35,000	–	–
KG Chapman	–	54,000	–	–
PR Coates	–	28,000	–	–
RM Graham	6,992	5,760	–	–
RG Newton	–	66,000	–	–
DC Seargeant	719,518	299,972	–	580,000
TC Ford [(b)]	–	–	–	–

(a) Relevant interest under the *Corporations Act 2001* differs from the disclosure required under Australian Accounting Standards as presented in Note 38 to the financial report.
(b) Mr TC Ford resigned on 23 October 2009. At the date of resignation, Mr Ford had a beneficial interest in 10,000 ordinary shares.

Indemnification and insurance of directors and officers

The Company's Constitution provides an indemnity to each person, including AG Rydge, AJ Clark, KG Chapman, PR Coates, RM Graham, RG Newton and DC Seargeant, who is or who has been a director or alternate director of the Company or of any related body corporate of the Company. The indemnity also extends to such other officers or former officers, including executive officers or former executive officers, of the Company and of any related body corporate of the Company as the directors of the Company determine.

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

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

Officers who were previously partners of the audit firm

The following persons were officers of the Company during the year and were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Group:

- AJ Clark (retired from audit firm in 1998); and
- PW Horton (retired from audit firm in 2001).

SHARE OPTIONS

There were no options issued during the period. There are no unissued ordinary shares of the Company under option at 30 June 2010.

During the prior financial year, the Managing Director and certain executives exercised options to acquire 733,500 fully paid ordinary shares in the Company at a weighted average exercise price of $3.47 per share. Refer Note 30 to the financial report for further details of the options.

No options have been exercised during or since the end of the year.

AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on page 28 and forms part of the directors' report for the year ended 30 June 2010.

NON-AUDIT SERVICES PROVIDED BY KPMG

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

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

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

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

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2010 $	2009 $
Audit services:		
Auditors of the Group - KPMG Australia		
Audit and review of financial reports	886,407	855,191
Other assurance services	128,403	32,210
Overseas KPMG firms		
Audit and review of financial reports	398,324	378,740
Other assurance services	8,018	14,606
	1,421,152	1,280,747
Other services:		
Auditors of the Group – KPMG Australia		
Income tax compliance	152,721	156,492
Indirect tax compliance advice	39,270	108,129
	191,991	264,621
Overseas KPMG firms		
Income tax compliance	110,366	100,502
Indirect tax compliance advice	11,170	13,572
Other taxation services	100,001	132,176
	221,537	246,250
	413,528	510,871

ROUNDING OFF

The Company is of a kind referred to in Class Order 98/100 (as amended by Class Order 04/667) as issued by Australian Securities and Investments Commission ("ASIC"). In accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:

AG Rydge
Director

DC Seargeant
Director

Dated at Sydney this 19th day of August 2010.

Remuneration Report – Audited

This report outlines the remuneration arrangements in place for directors and executives of the Group.

Remuneration Philosophy

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

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

The Group also has the following share and option plans:

- Tax Exempt Share Plan;
- Management Share Option Plan (suspended to new issues and no grants have been made under this plan since 2004); and
- Employee Share Plan (closed to new members and no offers have been made under the plan since 1998).

Further details in relation to the various share plans and option plan are provided in Note 30 to the financial report.

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 30 November 2007 when shareholders approved an aggregate remuneration of $1,100,000 per year. Non-executive directors do not receive any performance related remuneration nor are they issued options, shares or performance shares.

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

Each director receives a fee for being a director of the Company. An additional fee is also paid for being a member of the Audit Committee and the Nomination and Remuneration Committee. The payment of an additional fee recognises the additional time commitment required by directors who serve on those committees. Directors' base fees are presently $102,000 per annum (Chairman: $255,000 per annum, inclusive of committee fees). Directors' fees cover all main Board activities. Non-executive director members who sit on both the Audit Committee and the Nomination and Remuneration Committee receive an additional payment of $16,000 per annum (Chairman of both the Audit Committee and the Nomination and Remuneration Committee: $31,000 per annum).

The remuneration of non-executive directors for the year ended 30 June 2010 is detailed on page 24 in this report.

The Company also has a Directors' Retirement Plan. The plan was suspended in respect of any new director appointments, on 15 May 2003 and directors appointed to the Board after that date are not entitled to participate in the plan. Under the plan, directors with more than three years service receive a retirement lump sum based on the length of service. The plan benefits accrued on a monthly basis and reach the maximum amount after 12 years service. The benefit is capped to a maximum lump sum per director of $165,000. The plan has been fully accrued since the year ended 30 June 2007 and the Company has not incurred any additional expense since that date.

During the year, the Company paid $165,000 to Mr TC Ford under the plan. Mr Ford resigned as a director on 23 October 2009. There were no other benefits paid under the plan during the year ended 30 June 2010.

The amounts accrued in respect of the Directors' Retirement Plan are as follows:

Directors	2010 $	2009 $
AJ Clark	165,000	165,000
RM Graham	165,000	165,000
TC Ford	–	165,000
Total	330,000	495,000

The maximum benefit amount has been accrued for each participating director and no further Directors' Retirement Plan expense accruals will occur in future years.

Managing Director and Executive Remuneration

Objective

The Group aims to reward the Managing Director and executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, and so as to:

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

Structure

In determining the level and make-up of executive remuneration, the Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages for executives, given remuneration trends in other companies, from which recommendations are made to the Board.

It is the Nomination and Remuneration Committee's policy that employment contracts are entered into with the Managing Director and other executives. Details of these employment contracts are provided on page 23.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component consists of a Short Term Incentive Plan and a Long Term Incentive Plan.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior executive by the Nomination and Remuneration Committee.

FIXED ANNUAL REMUNERATION

OBJECTIVE

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

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

STRUCTURE

Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits such as motor vehicles and car parking. The total employment cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's fixed annual remuneration.

Certain employees have been relocated from their country of origin. In some cases, expatriate employees are entitled to the payment or reimbursement of relocation costs (at the commencement and termination of the contract), annual return airfares to the employee's country of origin and the provision of assistance to complete various taxation returns and visa applications.

VARIABLE REMUNERATION – SHORT TERM INCENTIVE ("STI")

OBJECTIVE

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

STRUCTURE

Actual STI payments granted to each executive depend on the extent to which specific operating targets, set at the beginning of the year, are met. The operational targets consist of a number of KPIs covering both financial and non-financial measures of performance. Typically, KPIs and assessment criteria include:

- meeting of pre-determined growth in Group earnings over the prior year;
- meeting of strategic and operational objectives; and
- assessed personal effort and contribution.

The Group has pre-determined benchmarks which must be met in order to trigger payments under the STI. The measures were chosen as they directly align the individual's STI reward to the KPIs of the Group and to its strategies and performance.

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the Group and each individual business unit is assessed and approved by the Nomination and Remuneration Committee. The individual performance of each executive is also rated and all three ratings are taken into account when determining the amount, if any, of the STI pool to be allocated to each executive.

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

For the Managing Director and named executives, the general target bonus opportunity range is from 0% to 150% of the executives' fixed annual remuneration. The target bonus range for the Managing Director and named executives is detailed below:

		Allocated between					
Executive	Maximum STI calculated on fixed annual remuneration [(a)]	Group earnings	Divisional earnings	Department costs	Special projects	Quantitative KPIs	Qualitative KPIs
DC Seargeant	150%	50%	–	–	40%	–	60%
NC Arundel	50%	16⅔%	16⅔%	–	–	16⅔%	–
PC Bourke	25%	12½%	–	–	2½%	2½%	7½%
GC Dean	40%	20%	–	–	3⅓%	10%	6⅔%
MR Duff	40%	20%	–	–	10%	2½%	7½%
HR Eberstaller	50%	16⅔%	16⅔%	–	–	–	16⅔%
PW Horton	35%	20%	–	–	–	10%	5%
KJ Kobishop	50%	16⅔%	–	–	20%	13⅓%	–

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

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

Variable remuneration – long term incentive ("LTI")

OBJECTIVE

The Executive Performance Share Plan was approved by shareholders at the 2006 Annual General Meeting. The Executive Performance Share Plan was designed to link employee reward with KPIs that drive sustainable growth in shareholder value over the long term. The objectives of the LTI plan are to:

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

Only senior employees who are able to directly influence the long term success of the Group participate in the Executive Performance Share Plan.

STRUCTURE

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

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

The performance hurdles for the awards of performance shares to executives in the financial year ended 30 June 2010 are based on Amalgamated Holdings Limited's EPS and TSR growth over the Performance Period of the three years from 30 June 2009 (being the "Base Year") to 30 June 2012.

The performance hurdles are as follows:

EPS hurdle

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

- if annual compound EPS growth over the Performance Period is less than 8%, no shares will vest with the executive;
- if annual compound EPS growth over the Performance Period is equal to 8% but less than 12%, the proportion of performance shares vesting will be increased on a pro-rata basis between 50% and 100%; or
- if annual compound EPS growth over the Performance Period compared to the Base Year is equal to or greater than 12%, all of the performance shares awarded (and attaching to this hurdle) will vest with the executive.

If the EPS measure is not achieved within the initial performance measurement period to a threshold level or higher, there will be no entitlement to shares for a participant. If the EPS performance measure is achieved to a threshold level or higher in the initial period, it will not be retested.

TSR hurdle

The TSR hurdle requires that the growth in the Group's TSR must be at or above the median of the Group's comparator group ("comparator group"). The comparator group is the S&P/ASX 200 (excluding mining stocks). Growth in TSR is defined as share price growth and dividends paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured from the time of issue to the time of vesting.

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

- if annual compound TSR growth over the Performance Period is less than the 51st percentile, no shares will vest with the executive;
- if annual compound TSR growth over the Performance Period is equal to or exceeds the 51st percentile but is less than 75th percentile, the proportion of performance shares vesting will be increased on a pro-rata basis between 50% and 100%; or
- if annual compound TSR growth over the Performance Period is equal to or greater than 75th percentile, all of the performance shares awarded (and attaching to this hurdle) will vest with the executive.

The TSR calculation, once completed, is independently reviewed. If the TSR measure is not achieved within the initial performance measurement period to a threshold level or higher, there will be no entitlement to shares for a participant. If the TSR performance measure is achieved to a threshold level or higher in the initial period, it will not be retested.

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

Options

Prior to 17 September 2004, the Group delivered LTI grants to executives in the form of options. The last issue of options was granted on 16 September 2004. The Management Share Option Plan has since been suspended and no further grants have been made since 2004.

The details of the value of options, options exercised and options lapsed during the prior financial year are outlined on page 27. There are no unissued ordinary shares of the Group under option at 30 June 2010 (2009: Nil).

Performance indices

In considering the Group's performance and benefits for shareholders' wealth, the Nomination and Remuneration Committee has regard to the following indices in respect of the current year and the previous four years:

	2010 $	2009 $	2008 $	2007 $	2006 $
Net profit before individually significant items, income tax and non-controlling (minority) interest	127,255,000	94,144,000	77,738,000	81,914,000	73,693,000
Share price (year end)	5.70	4.30	4.87	6.45	4.87

EMPLOYMENT CONTRACTS

It is the Group's policy that employment contracts for the Managing Director and each senior executive (with the exception of KJ Kobishop) are unlimited in term. Mr Kobishop's employment contract is for a period of three years to 14 September 2011.

The employment contracts typically outline the components of remuneration paid to the Managing Director and executives but do not prescribe how remuneration levels are to be modified from year to year. Generally, remuneration levels are reviewed each year to take into account Consumer Price Index changes, and any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

Termination provisions in the employment contracts with the named executives are summarised in the table below:

Executives	Termination by executive	Termination by Group	Expiry date of contract
DC Seargeant	The notice period is three months.	The notice period for the Group is one month. On termination, the Group may make a payment in lieu of notice, equal to the notice period. The Group retains the right to terminate the contract immediately under certain conditions. On termination, the executive is entitled to accrued annual and long service benefits. There are no other termination payments. Payment of any LTI incentive (or pro-rata thereof) is at the discretion of the Board.	Not applicable, rolling contracts.
NC Arundel PC Bourke GC Dean MR Duff HR Eberstaller PW Horton	The notice period is four weeks.		
KJ Kobishop	The notice period is the lesser of: • 12 months; or • the balance of the term of the employment contract.	The notice period for the Group is the lesser of: • 12 months; or • the balance of the term of the employment contract. The Group retains the right to terminate the contract immediately under certain conditions. On termination, the executive is entitled to accrued annual and reasonable relocation associated costs. There are no other termination payments. Payment of any LTI incentive (or pro-rata thereof) is at the discretion of the Board.	14 September 2011

KEY MANAGEMENT PERSONNEL

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and executives.

Name	Position	Period of responsibility	Employing company
NON-EXECUTIVE DIRECTORS			
Alan Rydge	Chairman and non-executive director	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
Anthony Clark	Independent non-executive director	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
Kenneth Chapman	Independent non-executive director	18 February 2010 – 30 June 2010	Amalgamated Holdings Limited
Peter Coates	Independent non-executive director	10 July 2009 – 30 June 2010	Amalgamated Holdings Limited
Thomas Ford	Independent non-executive director	1 July 2009 – 23 October 2009	Amalgamated Holdings Limited
Robert Graham	Independent non-executive director	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
Richard Newton	Independent non-executive director	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
EXECUTIVE DIRECTOR			
David Seargeant	Managing Director and Chief Executive Officer	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
EXECUTIVES			
Norman Arundel	Managing Director Rydges Hotels & Resorts	1 July 2009 – 30 June 2010	Rydges Hotels Limited
Peter Bourke	Director of Information Technology	19 April 2010 – 30 June 2010	Amalgamated Holdings Limited
Gregory Dean	Company Secretary	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
Mathew Duff	Director Commercial	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
Hans Eberstaller	Managing Director AHL Strategic Investments	1 July 2009 – 30 June 2010	The Greater Union Organisation Pty Limited
Peter Horton	Director Finance & Accounting	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited
Kevin Kobishop	Corporate Director of Food and Beverage	1 July 2009 – 30 June 2010	Amalgamated Holdings Limited

DIRECTORS' AND EXECUTIVES' REMUNERATION

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the named executive officers of the Group receiving the highest remuneration are set out below. In accordance with the requirements of AASB 124 Related Party Disclosures, the remuneration tables only include remuneration relating to the portion of the relevant periods that each individual was a key management person.

		Short term					Post-employment	Share-based	Other long term	Other		
		Fixed annual remuneration and fees	STI bonuses	Non-cash benefits	Accrued annual leave	Insurance premiums (a)	Superannuation contributions	LTI equity (b)	Accrued long service leave	Retirement benefits (c)	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	$	$	%
DIRECTORS												
Non-executive												
AG Rydge	2010	230,539	–	–	–	–	14,461	–	–	–	245,000	–
	2009	221,255	–	–	–	–	13,745	–	–	–	235,000	–
AJ Clark	2010	128,000	–	–	–	–	–	–	–	–	128,000	–
	2009	108,810	–	–	–	–	9,190	–	–	–	118,000	–
KG Chapman (d)	2010	32,592	–	–	–	–	2,933	–	–	–	35,525	–
	2009	–	–	–	–	–	–	–	–	–	–	–
PR Coates (e)	2010	87,627	–	–	–	–	7,887	–	–	–	95,514	–
	2009	–	–	–	–	–	–	–	–	–	–	–
TC Ford (f)	2010	32,667	–	–	–	–	–	–	–	–	32,667	–
	2009	90,000	–	–	–	–	–	–	–	–	90,000	–
RM Graham	2010	113,000	–	–	–	–	–	–	–	–	113,000	–
	2009	104,000	–	–	–	–	–	–	–	–	104,000	–
M Hellicar (g)	2010	–	–	–	–	–	–	–	–	–	–	–
	2009	70,050	–	–	–	–	4,950	–	–	–	75,000	–
RG Newton	2010	89,908	–	–	–	–	8,092	–	–	–	98,000	–
	2009	82,569	–	–	–	–	7,431	–	–	–	90,000	–
Executive												
DC Seargeant	2010	1,735,539	2,030,000	–	95,621	10,461	14,461	473,726	67,835	–	4,427,643	56.5%
	2009	1,141,255	1,732,500	–	168,303	10,561	13,745	486,462	314,407	–	3,867,233	57.4%
EXECUTIVES – THE COMPANY												
PC Bourke (h)	2010	46,133	–	–	4,089	–	3,179	–	–	–	53,401	–
	2009	–	–	–	–	–	–	–	–	–	–	–
GC Dean	2010	248,539	97,741	–	2,788	2,088	14,461	44,980	7,028	–	417,625	34.2%
	2009	241,255	62,651	–	7,650	1,105	13,745	41,493	5,938	–	373,837	27.9%
MR Duff	2010	382,539	153,837	–	7,141	2,088	14,461	71,264	11,047	–	642,377	35.0%
	2009	383,255	56,550	–	7,092	2,210	13,745	67,045	7,370	–	537,267	23.0%
PW Horton	2010	335,539	122,500	–	(17,917)	2,088	14,461	69,321	8,529	–	534,521	35.9%
	2009	354,338	81,620	–	(2)	2,210	13,745	66,072	2,489	–	520,472	28.4%
KJ Kobishop (i)	2010	350,705	69,999	32,276	(13,189)	835	–	156,145	–	–	596,771	37.9%
	2009	334,872	–	19,286	15,028	697	–	55,888	–	–	425,771	13.1%
EXECUTIVES – THE GROUP												
NC Arundel	2010	405,539	87,763	–	(353)	835	14,461	69,315	–	–	577,560	27.2%
	2009	391,255	96,289	–	1,325	884	13,745	54,814	–	–	558,312	27.1%
HR Eberstaller	2010	162,028	265,500	–	9,218	1,044	11,183	14,585	3,123	–	466,681	60.0%
	2009	154,568	51,995	–	34,068	1,105	11,432	22,292	4,091	–	279,551	26.6%
RD Entwistle (j)	2010	–	–	–	–	–	–	–	–	–	–	–
	2009	338,757	59,952	–	4,645	537	8,869	42,499	(15,375)	123,750	563,634	18.2%

(a) Amounts disclosed above for remuneration of directors and named executives exclude insurance premiums paid by the Group in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out within this Remuneration Report. The amounts disclosed in the table above relate to premiums paid by the Group for group salary continuance insurance.
(b) Amounts disclosed above for remuneration relating to performance shares have been determined in accordance with the requirements of AASB 2 Share-based Payment. AASB 2 requires the measurement of the fair value of performance shares at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on the performance shares using a Monte Carlo simulation model. Details of performance shares on issue are set out within the Remuneration Report and further details on the terms and conditions of these performance shares is set out in Note 30 to the financial report.
(c) There were no amounts accrued during the year relating to the Directors' Retirement Plan. An amount of $165,000, which had been accrued in prior years, was paid in the year to 30 June 2010 to TC Ford on his resignation from the Board. Further information regarding the Directors' Retirement Plan has been included within the Remuneration Report.
(d) KG Chapman was appointed on 18 February 2010.
(e) PR Coates was appointed on 10 July 2009.
(f) TC Ford resigned 23 October 2009.
(g) M Hellicar resigned 23 April 2009.
(h) PC Bourke commenced employment with the Group on 19 April 2010.
(i) KJ Kobishop commenced employment with the Group on 15 September 2008. KJ Kobishop is a citizen of the United States of America and is a 457 visa holder, and his employment arrangements have satisfied certain exemption conditions as set out by the Australian Taxation Office. As a result, the Group does not have any superannuation obligations in relation to the employment of KJ Kobishop.
(j) RD Entwistle ceased employment with the Group on 7 February 2009.

ANALYSIS OF STI BONUSES INCLUDED IN REMUNERATION

The bonus table below is calculated on the basis of including awarded bonuses only. It only includes remuneration relating to the portion of the relevant periods that each individual was a key management person. Details of the vesting profile of the STI bonuses awarded as remuneration to the Managing Director and each of the named executive officers of the Group are detailed below:

	Included in remuneration [a] $	Awarded in year %	Not awarded in year [b] %
MANAGING DIRECTOR			
DC Seargeant [c]	2,030,000	92.5%	7.5%
EXECUTIVES			
NC Arundel	87,763	43.3%	56.7%
PC Bourke [d]	–	–%	–%
GC Dean	97,741	95.8%	4.2%
MR Duff	153,837	96.9%	3.1%
HR Eberstaller [e]	265,500	100%	–%
PW Horton	122,500	100%	–%
KJ Kobishop [f]	69,999	43.3%	56.7%

(a) Amounts included in remuneration for the year represent the amounts that were awarded in the year based on achievement of personal goals and satisfaction of specified performance criteria for the 30 June 2009 year. No amounts vest in future years in respect of the STI bonus schemes for the 2009 year.
(b) The amounts not awarded are due to the performance criteria not being met in relation to the assessment period.
(c) The STI bonus includes a total of $86,625 awarded as an additional bonus payment for exceptional performance recognised during the year. The STI bonus payment also includes $875,000 representing the payment of the early achievement of certain 2010 bonus hurdles.
(d) PC Bourke commenced employment with the Group on 19 April 2010.
(e) The STI bonus includes a total of $182,500 awarded as an additional bonus payment for exceptional performance recognised for the 30 June 2009 year.
(f) KJ Kobishop commenced employment with the Group on 15 September 2008. The STI bonus has been calculated pro-rata based on the relevant service period for the 30 June 2009 year.

Analysis of LTI performance shares granted as remuneration

Details of vesting profile of the performance shares granted as remuneration to the Managing Director and named executives are detailed below:

	Number	Grant date	Vested during the year	Forfeited during the year [(a)]	Year in which the grant vests	Fair value Performance share – EPS	Fair value Performance share – TSR
			%	%		$	$
MANAGING DIRECTOR							
DC Seargeant	240,000	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	140,000	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	100,000	18 Feb 2008	–	–	30 Jun 2011	6.02	4.31
	100,000	19 Feb 2007	100%	–	30 Jun 2010	6.39	4.63
EXECUTIVES							
NC Arundel	18,987	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	23,491	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	14,739	18 Feb 2008	–	–	30 Jun 2011	6.02	4.31
	5,972	19 Feb 2007	100%	–	30 Jun 2010	6.39	4.63
PC Bourke [(b)]	–	–	–	–	–	–	–
GC Dean	11,889	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	14,791	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	8,996	18 Feb 2008	–	–	30 Jun 2011	6.02	4.31
	7,337	19 Feb 2007	100%	–	30 Jun 2010	6.39	4.63
MR Duff	17,947	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	23,027	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	14,433	18 Feb 2008	–	–	30 Jun 2011	6.02	4.31
	12,183	19 Feb 2007	100%	–	30 Jun 2010	6.39	4.63
HR Eberstaller	7,866	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	5,972	18 Feb 2008	–	–	30 Jun 2011	6.02	4.31
	4,982	19 Feb 2007	100%	–	30 Jun 2010	6.39	4.63
PW Horton	15,822	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	22,099	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	14,203	18 Feb 2008	–	–	30 Jun 2011	6.02	4.31
	12,183	19 Feb 2007	100%	–	30 Jun 2010	6.39	4.63
KJ Kobishop [(c)]	100,000	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80

(a) The % forfeited in the year represents the reduction from the maximum number of performance shares available to vest due to the performance criteria not being achieved.
(b) PC Bourke commenced employment with the Group on 19 April 2010.
(c) KJ Kobishop commenced employment with the Group on 15 September 2008.

ANALYSIS OF MOVEMENTS IN PERFORMANCE SHARES

The movement during the year by value, of performance shares in the Company held by the Managing Director and each of the named executives is detailed below:

	Granted during the year [(a)] $	Exercised during the year [(b)] $	Forfeited during the year $	Performance shares exercised Number	Amount paid per share $
MANAGING DIRECTOR					
DC Seargeant	1,260,000	–	–	–	–
EXECUTIVES					
NC Arundel	99,682	33,682	–	5,972	Nil
PC Bourke	–	–	–	–	–
GC Dean	62,418	–	–	–	–
MR Duff	94,223	–	–	–	–
HR Eberstaller	41,297	–	–	–	–
PW Horton	83,066	–	–	–	–
KJ Kobishop	–	–	–	–	–

(a) The value of performance shares granted in the year is the fair value of the performance shares calculated at grant date using a Monte Carlo simulation model. The total value of the performance shares granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(b) The value of performance shares exercised during the year is calculated as the market price of shares of the Company on the ASX as at close of trading on the date that the performance shares were exercised.

There were no performance shares granted since the end of the year.

ANALYSIS OF LTI OPTIONS GRANTED AS REMUNERATION

No options granted as remuneration to the Managing Director and named executives vested during the year. All outstanding options were exercised or lapsed in the previous financial year. There are no options yet to vest as at 30 June 2010 (2009: Nil).

There were no amounts unpaid on the shares issued as a result of the exercise of options. No options have been granted since 16 September 2004. There were no options granted since the end of the year.

Lead Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Amalgamated Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

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

KPMG

David Rogers
Partner

19 August 2010

Statement of Financial Position

AS AT 30 JUNE 2010

	Note	2010 $'000	2009 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	45,288	23,227
Receivables	11	50,476	38,370
Inventories	12	18,124	13,776
Other	13	6,600	4,974
Total current assets		120,488	80,347
NON-CURRENT ASSETS			
Receivables	11	405	516
Other financial assets	14	312	312
Available-for-sale financial assets	15	10,447	9,362
Investments accounted for using the equity method	16	124,284	117,750
Property, plant and equipment	17	599,082	561,751
Investment properties	18	78,875	29,600
Goodwill and other intangible assets	19	32,889	14,856
Deferred tax assets	7(c)	13,990	14,726
Other	20	7,780	9,258
Total non-current assets		868,064	758,131
Total assets		988,552	838,478
LIABILITIES			
CURRENT LIABILITIES			
Payables	21	74,035	77,316
Interest bearing liabilities and borrowings	22	4,993	6,714
Current tax liabilities	7(b)	14,209	11,906
Provisions	24	16,643	12,689
Deferred revenue	1(t)	41,652	30,201
Other	25	8,535	8,473
Total current liabilities		160,067	147,299
NON-CURRENT LIABILITIES			
Payables	21	2	2
Interest bearing liabilities and borrowings	22	41,629	73,252
Deferred tax liabilities	7(c)	8,002	5,919
Provisions	24	10,909	9,578
Deferred revenue	1(t)	2,937	2,503
Other	25	4,820	840
Total non-current liabilities		68,299	92,094
Total liabilities		228,366	239,393
Net assets		760,186	599,085
EQUITY			
Share capital	26	219,126	101,353
Reserves	27	103	6,167
Retained earnings	27	540,957	491,475
Total equity attributable to equity holders of the Company		760,186	598,995
Non-controlling (minority) interest		–	90
Total equity		760,186	599,085

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 34 to 90.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000
Revenue and other income			
Revenue from sale of goods and rendering of services	3	758,861	669,860
Other revenue and income	3	53,979	42,451
		812,840	712,311
Expenses			
Occupancy expenses		(189,457)	(186,080)
Employee expenses	4(a)	(172,266)	(166,997)
Film hire and other film expenses		(163,263)	(147,139)
Purchases and other direct expenses		(89,937)	(68,696)
Other operating expenses		(40,641)	(35,783)
Depreciation and amortisation	4(a)	(33,647)	(30,632)
Advertising, commissions and marketing expenses		(19,770)	(18,666)
Impairment of assets	4(a)	(11,325)	(5,811)
Finance costs	4(a)	(4,605)	(5,112)
Fair value decrement on investment properties	18	–	(1,030)
		(724,911)	(665,946)
Equity profit			
Share of net profit of equity accounted investees:			
Associates	36	8,803	11,196
Jointly controlled entities	37	39,712	30,993
		48,515	42,189
Profit before tax from continuing operations	4	136,444	88,554
Income tax expense	7	(37,672)	(22,932)
Profit after tax from continuing operations		98,772	65,622
Discontinued operations			
Profit after tax from discontinued operations	5	–	3,855
Profit for the year		98,772	69,477
Attributable to:			
Equity holders of the Company		98,772	69,483
Non-controlling (minority) interest		–	(6)
Profit for the year		98,772	69,477

	Note	2010 Cents	2009 Cents
Earnings per share for profit attributable to equity holders of the Company	9		
Basic from continuing operations		66.4	48.2
Basic from discontinued operations		–	2.8
Basic – total		66.4	51.0
Diluted from continuing operations		66.4	48.2
Diluted from discontinued operations		–	2.8
Diluted – total		66.4	51.0

The Income Statement is to be read in conjunction with the notes to the financial statements on pages 34 to 90.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000
Profit for the year		98,772	69,477
Other comprehensive (expense)/income	27		
Foreign currency translation differences for foreign operations		(9,248)	(290)
Share of associates' reserve movements – foreign currency translation		(735)	2,228
Net increase/(decrease) in fair value of available-for-sale financial assets – net of tax		759	(873)
Effective portion of change in fair value of cash flow hedges – net of tax		1,170	(1,853)
Ineffective portion of change in fair value of cash flow hedges – net of tax		232	–
Revaluation of property on reclassification to investment properties		–	267
Other comprehensive expense for the period – net of income tax		(7,822)	(521)
Total comprehensive income for the period		90,950	68,956
Total comprehensive income attributable to:			
Equity holders of the Company		90,950	68,962
Non-controlling (minority) interest		–	(6)
Total comprehensive income for the period		90,950	68,956

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 34 to 90.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	Attributable to equity holders of the Company					
	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2009	101,353	6,167	491,475	598,995	90	599,085
Profit for the period	–	–	98,772	98,772	–	98,772
OTHER COMPREHENSIVE INCOME						
Foreign currency translation differences including net investment hedges	–	(9,248)	–	(9,248)	–	(9,248)
Share of associates' reserves movements – foreign currency translation	–	(735)	–	(735)	–	(735)
Net increase in fair value of available-for-sale financial assets – net of tax	–	759	–	759	–	759
Net change in fair value of cash flow hedges – net of tax	–	1,402	–	1,402	–	1,402
Total other comprehensive income recognised directly in equity	–	(7,822)	–	(7,822)	–	(7,822)
Total comprehensive income for the period	–	(7,822)	98,772	90,950	–	90,950
Distribution to non-controlling (minority) interests in subsidiaries	–	–	–	–	(90)	(90)
Employee share-based payments expense – net of tax	–	1,710	–	1,710	–	1,710
Renounceable pro-rata entitlement share issue – net of costs and tax	105,987	–	–	105,987	–	105,987
Shares issued under the Dividend Reinvestment Plan	11,786	–	–	11,786	–	11,786
Net present value adjustment to employee share loans	–	48	–	48	–	48
Dividends paid	–	–	(49,290)	(49,290)	–	(49,290)
Total transactions with owners	117,773	1,758	(49,290)	70,241	(90)	70,151
Balance at 30 June 2010	219,126	103	540,957	760,186	–	760,186

Balance at 1 July 2008	98,809	5,177	460,832	564,818	223	565,041
Profit for the period	–	–	69,483	69,483	(6)	69,477
OTHER COMPREHENSIVE INCOME						
Foreign currency translation differences including net investment hedges	–	(348)	58	(290)	–	(290)
Share of associates' reserves movements – foreign currency translation	–	2,228	–	2,228	–	2,228
Net decrease in fair value of available-for-sale financial assets – net of tax	–	(873)	–	(873)	–	(873)
Net change in fair value of cash flow hedges – net of tax	–	(1,853)	–	(1,853)	–	(1,853)
Revaluation of property on reclassification to investment properties	–	267	–	267	–	267
Total other comprehensive income recognised directly in equity	–	(579)	58	(521)	–	(521)
Total comprehensive income for the period	–	(579)	69,541	68,962	(6)	68,956
Distribution to non-controlling (minority) interests in subsidiaries	–	–	–	–	(127)	(127)
Employee share-based payments expense – net of tax	–	1,367	–	1,367	–	1,367
Exercise of employee share options	2,544	–	–	2,544	–	2,544
Employee share-based payments – related entity employees	–	166	–	166	–	166
Net present value adjustment to employee share loans	–	36	–	36	–	36
Dividends paid	–	–	(38,898)	(38,898)	–	(38,898)
Total transactions with owners	2,544	1,569	(38,898)	(34,785)	(127)	(34,912)
Balance at 30 June 2009	101,353	6,167	491,475	598,995	90	599,085

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 34 to 90.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		820,817	720,628
Cash payments in the course of operations		(739,566)	(662,299)
Cash provided by operations		81,251	58,329
Distributions from associates and jointly controlled entities		45,357	43,940
Other revenue		41,219	40,556
Finance costs paid		(4,514)	(4,876)
Dividends received		479	453
Interest received		862	1,455
Income tax refunds		778	666
Income tax paid		(28,846)	(38,532)
Net cash provided by operating activities	40	136,586	101,991
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and redevelopment of investment property		(83,892)	(113,968)
Payments for cinema operations in New Zealand and Fiji – net of cash acquired		(47,521)	–
Payments for leasehold cinema sites and associated plant and equipment in Australia		(14,375)	–
Payments for remaining 50% interest in cinema joint venture site including plant and equipment		(3,517)	–
Payments for increase in investments in associates and jointly controlled entities		(98)	(196)
Purchase of management rights		–	(615)
Proceeds from disposal of investments		–	1,500
Proceeds from disposal of other non-current assets		962	79
Decrease in other loans receivable		111	117
Decrease in loans from other entities		(545)	(1,598)
Decrease in loans to associates and jointly controlled entities		387	1,692
Net cash used by investing activities		(148,488)	(112,989)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		137,304	90,251
Repayment of borrowings		(170,369)	(48,345)
Net proceeds from renounceable pro-rata entitlement share issue		105,987	–
Dividends paid net of dividend reinvestment plan		(37,504)	(38,898)
Dividends paid to non-controlling (minority) interests in subsidiaries		–	(126)
Proceeds from exercise of employee share options		–	2,544
Net cash provided by financing activities		35,418	5,426
Net increase/(decrease) in cash and cash equivalents		23,516	(5,572)
Cash and cash equivalents at the beginning of the year		23,227	28,472
Effect of exchange rate fluctuations on cash held		(1,455)	327
Cash and cash equivalents at 30 June	10	45,288	23,227

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 34 to 90.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Amalgamated Holdings Limited ("Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2010 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

Amalgamated Holdings Limited is a company incorporated in Australia and limited by shares. The shares are publicly traded on the ASX. The nature of the operations and principal activities of the Group are described in Note 2.

The financial report was authorised by the Board of Amalgamated Holdings Limited for issuance on 19 August 2010.

(a) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

(b) BASIS OF PREPARATION

The financial report is presented in Australian dollars and the functional currency of the Group is Australian dollars.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as available-for-sale, share-based payments and investment properties.

Assets held for sale are stated at the lower of carrying amount, and fair value less costs to sell.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 1(z).

The accounting policies have been applied consistently by all entities in the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these financial reports are the same as those applied by the Group in its financial reports as at and for the year ended 30 June 2009.

(i) Presentation of Operating Segments

Accounting Standard AASB 8 Operating Segments replaced AASB 114 Segment Reporting and became mandatory for the Group from 1 July 2009. AASB 8 requires that the presentation of operating segment information be based on business unit dissections regularly used by the Managing Director, in assessing the performance of each segment. As a result of this change, the segment information note (Note 2) now presents an additional dissection of business units previously grouped under the Cinema Exhibition International segment.

This change in accounting standards only impacts presentation and disclosure aspects. Comparative segment information has been re-presented in conformity with this change.

(ii) Presentation of Financial Statements

Revised Accounting Standard AASB 101 Presentation of Financial Statements became mandatory for the Group from 1 July 2009. Revised AASB 101 requires the presentation of a Statement of Comprehensive Income disclosing changes in equity not relating to share capital, which when added to the profit for the period gives the total comprehensive income for the period. This presentation has been applied in these financial reports as at and for the year ended on 30 June 2010.

This change only impacts presentation aspects. Comparative information has been re-presented in conformity with the revised standard.

(iii) Accounting for Business Combinations

Revised Accounting Standard AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements became mandatory for the Group from 1 July 2009.

AASB 3 changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Changes affect the valuation of non-controlling interests, the initial recognition and subsequent measurement of contingent consideration, business combinations achieved in stages and the determination of goodwill recognised. Transaction costs relating to business combinations are also now expensed as incurred.

Revised Accounting Standard AASB 127 changes the accounting for investments in subsidiaries where there is a change in ownership interest by the Group. A change in ownership interest, without a change in control, is now accounted for as a transaction with owners in their capacity as owners and as such will no longer give rise to goodwill, nor a gain or loss in the Statement of Comprehensive Income. Also, the revised standard changes the accounting for losses incurred by a partially owned subsidiary as well as accounting for the loss of control of a subsidiary.

The Group has applied the new policy prospectively for business combinations that occurred during the year ended 30 June 2010 as disclosed in Note 34.

(iv) Accounting for Property under Construction or Development for Future Use as an Investment Property

Amendments made to Accounting Standard AASB 140 Investment Property require that, where the fair value option has been taken to measure investment property, an investment property under construction or development should also be measured at fair value (unless a fair value cannot be reliably determined). Changes in fair value are recognised in the Income Statement. These amendments, which have been applied from 1 July 2009, change the timing of the recognition of fair value adjustments in respect of investment properties under development. Previously, a change in the fair value of a developed property was recognised on completion of the development. As the only investment property under construction or development was completed during the financial year to 30 June 2010, this change has had no impact on the results for the period.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The changes in these significant accounting policies were applied prospectively and have had no material impact on earnings per share.

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They were available for early adoption at 30 June 2010, but have not been applied by the Group in preparing these financial statements:

- Improvements to International Financial Reporting Standards 2009 incorporates a number of amendments to accounting standards. One amendment that may impact on the Group is as follows:
  - IAS 17 Leases ("IAS 17"). Under the amendment to IAS 17, a long term land lease may have to be classified as a finance lease, even if title to the land is not going to pass to the lessee at the end of the lease. This change will impact on the accounting treatment for certain leased properties within the Group. The impact of this amendment on the Group's future financial reports, has not yet been determined; and
- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ending 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

(c) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year end.

(i) BUSINESS COMBINATIONS

The Group has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring on or after 1 July 2009.

Business combinations are accounted for using the acquisition method. Under the acquisition method, consideration transferred in a business combination is measured at fair value, which is measured as the sum of the fair values at acquisition date of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

Goodwill arising from the business combination is determined as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, which are measured at the acquisition date.

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

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

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

(ii) SUBSIDIARIES

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES ("EQUITY ACCOUNTED INVESTEES")

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences or joint control commences until the date that significant influence or joint control ceases. The Group's share of movements in reserves is recognised directly in consolidated reserves. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations to make payments on behalf of the investee.

(iv) TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates or jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is sold.

(d) FOREIGN CURRENCY

(i) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) FOREIGN CURRENCY (CONTINUED)

(ii) FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the year end date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the reserve is transferred to profit or loss.

(iii) NET INVESTMENT IN FOREIGN OPERATIONS

Exchange differences arising from the translation of the net investment in foreign operations, and the effective portion of related hedges, are taken to the foreign currency translation reserve. They are released to profit or loss as an adjustment to profit or loss on disposal.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned or likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve.

(e) DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (refer Note 1(f)).

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

(f) HEDGING

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

(i) CASH FLOW HEDGES

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity in the hedging reserve. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the Income Statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Income Statement.

(ii) HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation, that is determined to be an effective hedge, is recognised directly in equity. The ineffective portion is recognised immediately in the Income Statement.

(g) PROPERTY, PLANT AND EQUIPMENT

(i) OWNED ASSETS

Items of property, plant and equipment (except for investment properties – refer Note 1(g)(ii)) are stated at cost or deemed cost, less accumulated depreciation and impairment losses.

The cost of assets represents the fair value of the consideration provided, plus incidental costs directly attributable to the acquisition and also includes:

- the initial estimate of the cost at the time of installation and during the period of use, when relevant and probable, of removing items and restoring the site on which they are located (decommissioning); and
- changes in the measurement of existing liabilities recognised for decommissioning costs resulting from changes in the discount rate applied to these future liabilities or changes to estimates of cost.

The cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The borrowing cost related to the acquisition or construction of qualifying assets is capitalised into the cost of the asset.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Group if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or property, plant and equipment.

(ii) INVESTMENT PROPERTIES

Investment properties comprise land and buildings which are held for long term rental yields or for capital appreciation, or both, and are not occupied by the Group. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) INVESTMENT PROPERTIES (CONTINUED)

Property that is being constructed or redeveloped for future use as an investment property is also measured at fair value (unless a fair value cannot be reliably determined) from the date a decision has been made to hold the property long term as an investment property. Any gain or loss arising on remeasurement is recognised in the Income Statement. When a property is reclassified from owner-occupied to an investment property following a change in its use, any difference at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value is recognised directly to the investment property revaluation reserve, if it is a gain. Any decrease in value is recognised in the Income Statement.

Gains or losses arising from changes in the fair values of investment properties are included in the Income Statement in the period in which they arise.

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

(iii) LEASED ASSETS

Leases for property, plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are depreciated on a straight-line basis over the term of the relevant lease, or where it is likely the Group will obtain ownership of the asset, the life of the asset. They are stated in the Statement of Financial Position at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Income Statement.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(iv) SUBSEQUENT COSTS

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Income Statement as an expense.

(v) DEPRECIATION

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

Buildings	40 – 80 years
Plant and equipment	3 – 20 years
Fixtures and fittings	3 – 10 years
Leasehold buildings and improvements	Shorter of estimated useful life and term of lease

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation rates are reviewed annually for appropriateness. The residual value, if not insignificant, is also reassessed annually. When changes are made, adjustments are reflected prospectively in current and future periods only.

(h) INTANGIBLE ASSETS

(i) GOODWILL

Goodwill acquired in a business combination is initially measured at cost of the business combination, being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed.

If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the Income Statement.

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

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the business combination's synergies.

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

The carrying amount of goodwill in respect of associates and jointly controlled entities is included in the carrying amount of the investment in the associate or jointly controlled entity.

(ii) CONSTRUCTION RIGHTS

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

(iii) OTHER INTANGIBLE ASSETS

Other intangible assets, which largely comprise management rights and software costs, are stated at cost less accumulated amortisation and impairment losses.

Management rights are amortised over the life of the management agreements on a straight-line basis.

Software costs for major operating systems are amortised over a four to five year period on a straight-line basis.

(i) RECOVERABLE AMOUNT OF ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Note 1 – Significant Accounting Policies (continued)

(i) Recoverable amount of assets (continued)

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the Income Statement unless the asset or its cash-generating unit has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation, with any excess recognised through the Income Statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

With the exception of goodwill, an impairment loss is reversed when there is a clear indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

(j) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as available-for-sale, are measured at fair value. Available-for-sale financial assets comprise marketable equity securities.

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

Gains or losses on available-for-sale investments are recognised as a separate component of equity in the available-for-sale investments revaluation reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Income Statement. An impairment loss recognised in the Income Statement in respect of an available-for-sale investment is not reversed through the Income Statement.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Work in progress is valued at cost. Cost is based on the first-in-first-out principle and includes expenditure incurred in bringing inventories to their existing condition and location. The cost of inventories may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

(l) Contract work in progress

For equipment build and cinema installation contracts, profit is brought to account on a percentage completion basis.

(m) Cash and cash equivalents

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

(n) Receivables

Trade and other receivables are stated at their amortised cost less an allowance for impairment losses. Where the payment terms for the sale of an asset are deferred, the receivable is discounted using the prevailing rate for a similar instrument of an issuer with similar credit terms. The unwinding of the discount is treated as finance revenue.

(o) Payables

Trade and other payables are recognised at their amortised cost. Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally non-interest bearing and settled within 30 days.

(p) Borrowings

Interest bearing and non-interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

(q) Provisions

(i) Employee benefits

Provision is made for employee benefits including annual leave for employees and the retirement benefits for qualifying non-executive directors. The provision represents the amount which the Group has a present obligation to pay, resulting from the employees' services provided up to the reporting date. The provisions expected to be settled within 12 months have been calculated at undiscounted amounts based on the remuneration rates the employer expects to pay after the reporting date and includes related on-costs.

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

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

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

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under that contract, and only after any impairment losses to assets dedicated to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. The net estimated cash flows are discounted using market yields on national government guaranteed bonds with terms to maturity that match, as closely as possible, the expected future cash flows.

(iii) Decommissioning of leasehold improvements

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) PROVISIONS (CONTINUED)

(iv) OTHER

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

(r) SUPERANNUATION PLANS

The Group contributes to several defined contribution superannuation plans. Contributions are charged against income as they are made. These contributions are in accordance with the relevant trust deeds and the Superannuation Guarantee Levy.

(s) SHARE-BASED PAYMENT TRANSACTION – EMPLOYEE SHARE AND OPTION PLANS

(i) EXECUTIVE PERFORMANCE SHARE PLAN

Equity-based compensation benefits are provided to employees via the Executive Performance Share Plan.

The fair value of performance shares granted under the Executive Performance Share Plan is recognised as an employee expense over the period during which the employees become unconditionally entitled to the shares. There is a corresponding increase in equity, being recognition of a share-based payments reserve. The fair value of performance shares granted is measured at grant date. The fair value of the shares was determined using the Monte Carlo simulation model, taking into account the terms and conditions upon which the shares were granted.

To facilitate the operation of the Executive Performance Share Plan, a third party trustee is used to administer the trust which holds shares allocated under the Executive Performance Share Plan.

Performance shares are subject to performance hurdles. The performance shares are recognised in the Statement of Financial Position as restricted ordinary shares. Performance shares are included within the weighted average number of shares used as the denominator for determining basic earnings per share and net tangible asset backing per share.

The Company incurs expenses on behalf of the trust. These expenses are in relation to administration costs of the trust and are recorded in the Income Statement as incurred.

For employee performance shares issued by the Company to employees of subsidiaries, the amount recognised as an employee expense by the Group in respect of those shares is charged to and recovered from subsidiaries by the Company.

(ii) EMPLOYEE SHARE PLAN

The Company has in prior years issued shares to certain employees under an Employee Share Plan. No shares have been issued under this plan since February 1998. Other than costs incurred in administering the scheme which are expensed as incurred, the scheme does not result in any expense to the Group.

(t) REVENUE RECOGNITION

Revenues are recognised at fair value of the consideration received, net of the amount of goods and services tax ("GST").

(i) SALE OF GOODS

Revenue from the sale of goods comprises revenue earned (net of returns, discounts, allowances and GST) from the provision of products to entities outside the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of goods pass to the customer.

(ii) RENDERING OF SERVICES AND DEFERRED REVENUE

Revenue from rendering services is recognised in the period in which the service is provided. Revenue relating to future periods which is not yet recognised because the service is yet to be provided or the admission made, is shown on the Statement of Financial Position as deferred revenue.

(iii) INTEREST AND DIVIDEND REVENUE

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset. Dividend income is recognised on the date that the Group's right to receive payment is established.

(iv) RENTAL INCOME

Rental income is recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(v) SALE OF NON-CURRENT ASSETS

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(vi) CUSTOMER LOYALTY PROGRAMS

A Group entity operates loyalty programs where customers accumulate points for purchases made which entitles them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of the revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

(u) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(v) FINANCE COSTS

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, and lease finance charges. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average interest rate applicable to the entity's borrowings during the period.

(w) TAXATION

(i) INCOME TAX

Income tax on the Income Statement for the periods presented comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Note 1 – Significant Accounting Policies (Continued)

(w) Taxation (continued)

(i) Income tax (continued)

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Tax consolidation regime

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly owned subsidiaries. The head entity recognises all of the current tax liabilities of the tax-consolidated group.

The tax-consolidated group has entered into a tax funding agreement that requires Australian wholly owned subsidiaries to make contributions to the head entity for current tax liabilities arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated using a "group allocation method" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recovery are recognised by the Company only.

(x) Segment reporting

As of 1 July 2009, the Group presents operating segment information based on the business unit dissections that are internally provided to the Managing Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously, operating segments were determined and presented in accordance with AASB 114 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 Managing Director 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 Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office assets, head office expenses, and income tax assets and liabilities.

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

(y) Earnings per share

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

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

(z) Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Recoverable amount of assets

The Group has undertaken assessments of whether long-lived assets including property assets, goodwill and plant and equipment could be deemed to be impaired. In assessing the recoverability of these assets, assumptions are made regarding the estimated future cash flows and other factors, including the pre-tax discount rate to be applied, to determine the recoverable amount of the respective assets. The estimate of cash flow is based upon, among other things, certain assumptions about expected future operating performance. Estimates of discounted cash flow may differ from actual cash flow due to factors such as economic conditions, changes to business models or changes in operating performance. If the sum of the discounted estimated cash flows is less than the current carrying value, an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset, is recognised.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

RECOVERABLE AMOUNT OF ASSETS (CONTINUED)

The Group has also previously recognised impairment write-downs for property, plant and equipment. Where trading circumstances improve at a site, an assessment of recoverable value is made to determine if an impairment loss can be reversed, net of depreciation that would have been incurred had no impairment loss been recognised. These determinations also require estimates and assumptions with regard to the future trading performance of those assets.

Refer Note 17 for details of impairment losses recognised and prior period impairments written back.

FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are independently revalued to fair value each reporting period, with any gain or loss arising on remeasurement being recognised in the Income Statement. In assessing the fair value of properties, a number of assumptions are made at the end of each reporting period regarding future cash flows, future property market economic conditions and other factors including cash flow discount rates and rental capitalisation rates.

The carrying value of investment properties is disclosed in Note 18 along with a summary of the movements in the carrying value.

CONTINGENT ASSETS AND LIABILITIES

Also, refer to Note 32 for estimates and judgement made in relation to contingent assets and liabilities.

SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of the Executive Performance Share Plan by reference to the fair value of the equity instruments at the date at which the shares are granted. The fair value of performance shares granted is determined by an external valuer using a Monte Carlo simulation model using the assumptions detailed in Note 30.

(aa) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Income Statement is restated as if the operation had been discontinued from the start of the comparative period.

NOTE 2 – SEGMENT REPORTING

Segment information is presented in respect of the Group's operating 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 Managing Director 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 other businesses. Inter-segment pricing is determined on an arm's length basis.

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

OPERATING SEGMENTS

The Group comprises the following main operating segments:

CINEMA EXHIBITION AUSTRALIA

Includes the cinema exhibition operations in Australia.

CINEMA EXHIBITION NEW ZEALAND

Includes cinema exhibition operations in New Zealand as well as a joint venture interest in two cinema sites in Fiji. These cinema exhibition operations were acquired on 18 February 2010. Refer Note 34 Business Combinations.

CINEMA EXHIBITION GERMANY

Includes the cinema exhibition operations in Germany.

CINEMA EXHIBITION UNITED ARAB EMIRATES

Includes the Group's 49% investment in cinema exhibition operations in the United Arab Emirates.

ENTERTAINMENT TECHNOLOGY

Includes theatre equipment supply and servicing and the manufacture of film processors and related equipment. In the prior year, it also included, for part of the year, the Group's 50% investment in Atlab Holdings Pty Limited, which was sold on 26 September 2008.

HOTELS

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

THREDBO ALPINE RESORT

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

LEISURE/ATTRACTIONS

Includes ancillary leisure and other activities including Featherdale Wildlife Park and The State Theatre.

PROPERTY AND OTHER INVESTMENTS

Includes property rental, investment properties and available-for-sale investments.

GEOGRAPHICAL INFORMATION

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

NOTE 2 – SEGMENT REPORTING (CONTINUED)

	Cinema Exhibition									
	Australia	New Zealand	Germany	United Arab Emirates	Entertainment Technology	Hotels	Thredbo Alpine Resort	Leisure/Attractions	Property and Other Investments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010										
BUSINESS SEGMENTS										
Revenue and other income										
External segment revenue	157,222	21,970	348,730	–	33,454	150,069	51,433	11,095	26,043	800,016
Inter-segment revenue	–	–	–	–	3,533	–	–	–	–	3,533
Other income – external	–	–	986	–	–	52	–	–	10,865	11,903
Finance income										858
Other unallocated revenue										63
Total revenue and other income										816,373
Elimination of inter-segment revenue										(3,533)
Consolidated revenue and other income										812,840
Result										
Segment result	18,323	419	27,432	–	1,767	22,191	15,046	2,424	17,505	105,107
Share of net profit of equity accounted business undertakings	37,918	275	1,519	9,005	13	(215)	–	–	–	48,515
	56,241	694	28,951	9,005	1,780	21,976	15,046	2,424	17,505	153,622
Unallocated revenue and expenses										(13,431)
Net financing costs										(3,747)
Profit before related income tax expense										136,444
Income tax expense										(37,672)
Profit after income tax expense										98,772
Non-controlling (minority) interest										–
Net profit										98,772
Depreciation and amortisation	(7,215)	(1,945)	(7,500)	–	(75)	(9,610)	(3,682)	(378)	(3,242)	(33,647)
Impairment write-downs of property, plant and equipment	–	–	–	–	–	(5,800)	–	–	(5,525)	(11,325)
Reversal of impairment write-down made in prior years	–	–	986	–	–	–	–	–	–	986

NOTE 2 – SEGMENT REPORTING (CONTINUED)

	Cinema Exhibition									
	Australia	New Zealand	Germany	United Arab Emirates	Entertainment Technology	Hotels	Thredbo Alpine Resort	Leisure/ Attractions	Property and Other Investments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010										
INDIVIDUALLY SIGNIFICANT ITEMS										
Income										
Development gain on valuation and reclassification to an investment property of the redeveloped Canberra Civic property	–	–	–	–	–	–	–	–	10,163	10,163
Profit on sale of developed residential land lots	–	–	–	–	–	–	–	–	8,304	8,304
Reversal of prior years' impairment write-downs of plant and equipment	–	–	986	–	–	–	–	–	–	986
Expenses										
Impairment write-down of freehold land and buildings	–	–	–	–	–	(5,800)	–	–	–	(5,800)
Impairment write-down in the carrying value of plant and equipment arising from the planned redevelopment of the Gowings and State Theatre office buildings in Sydney	–	–	–	–	–	–	–	–	(5,525)	(5,525)
Provision raised for onerous contract relating to lease of a closed cinema site in Germany	–	–	(2,201)	–	–	–	–	–	–	(2,201)
Relating to jointly controlled entity										
Share of reversal of prior years' impairment write-downs of plant and equipment	3,262	–	–	–	–	–	–	–	–	3,262
	3,262	–	(1,215)	–	–	(5,800)	–	–	12,942	9,189
Assets										
Reportable segment assets	110,174	54,091	74,753	–	11,730	333,675	44,748	5,536	184,811	819,518
Equity accounted investments	99,250	7,145	2,852	13,202	167	1,668	–	–	–	124,284
Deferred tax assets										13,990
Unallocated corporate assets										30,760
Consolidated total assets										988,552
Liabilities										
Reportable segment liabilities	65,677	16,313	55,725	–	9,425	14,418	11,777	244	2,491	176,070
Deferred tax liabilities										8,002
Unallocated corporate liabilities										44,294
Consolidated total liabilities										228,366
Acquisitions of non-current assets	27,071	53,207	5,378	–	22	48,889	2,683	–	17,873	155,123

GEOGRAPHICAL INFORMATION	Australia $'000	New Zealand and Fiji $'000	Germany $'000	United Arab Emirates $'000	Total $'000
External segment revenue	410,448	40,838	348,730	–	800,016
Reportable segment assets	670,275	74,490	74,753	–	819,518
Equity accounted investments	99,417	8,813	2,852	13,202	124,284
Acquisitions of non-current assets	96,501	53,244	5,378	–	155,123

NOTE 2 – SEGMENT REPORTING (CONTINUED)

	Cinema Exhibition									
	Australia	New Zealand	Germany	United Arab Emirates	Entertainment Technology	Hotels	Thredbo Alpine Resort	Leisure/ Attractions	Property and Other Investments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009										
BUSINESS SEGMENTS										
Revenue and other income										
External segment revenue	127,940	–	353,310	–	22,640	132,876	52,712	10,948	9,651	710,077
Inter-segment revenue	–	–	–	–	3,288	–	–	–	–	3,288
Other income – external	–	–	240	–	–	31	6	–	428	705
Finance income										1,440
Other unallocated revenue										339
Total revenue and other income										715,849
Elimination of inter-segment revenue										(3,288)
Consolidated revenue and other income										712,561
Result										
Segment result	14,210	–	9,796	–	(768)	21,398	16,012	1,574	243	62,465
Share of net profit of equity accounted business undertakings	28,773	–	2,220	11,085	7	104	–	–	–	42,189
	42,983	–	12,016	11,085	(761)	21,502	16,012	1,574	243	104,654
Unallocated revenue and expenses										(12,178)
Net financing costs										(3,672)
Profit before related income tax expense										88,804
Income tax expense										(19,327)
Profit after income tax expense										69,477
Non-controlling (minority) interest										6
Net profit										69,483
Depreciation and amortisation	(6,139)	–	(9,496)	–	(190)	(7,867)	(3,552)	(423)	(2,965)	(30,632)
Impairment write-downs of property, plant and equipment	–	–	(281)	–	–	(3,218)	–	–	(2,312)	(5,811)
Impairment of plant and equipment reversals	–	–	240	–	–	–	–	–	–	240
INDIVIDUALLY SIGNIFICANT ITEMS										
Impairment write-down – carrying value of land and buildings	–	–	–	–	–	(3,028)	–	–	(2,312)	(5,340)

Reconciliation of reportable segment revenues and income tax expense

Revenues	
Revenue and other income per segment reporting	712,561
Elimination of discounted operations	(250)
Revenue and other income per Income Statement	712,311
Income tax	
Income tax per segment reporting	(19,327)
Income tax benefit relating to discontinued operations	(3,605)
Income tax expense per Income Statement	(22,932)

NOTE 2 – SEGMENT REPORTING (CONTINUED)

	Cinema Exhibition – Australia	Cinema Exhibition – New Zealand	Cinema Exhibition – Germany	Cinema Exhibition – United Arab Emirates	Entertainment Technology	Hotels	Thredbo Alpine Resort	Leisure/ Attractions	Property and Other Investments	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009										
Assets										
Reportable segment assets	91,656	–	85,706	–	16,336	298,201	46,093	7,174	144,583	689,749
Equity accounted investments	98,347	–	3,099	14,212	154	1,938	–	–	–	117,750
Deferred tax assets										14,726
Unallocated corporate assets										16,253
Consolidated total assets										838,478
Liabilities										
Reportable segment liabilities	59,229	–	60,805	–	9,793	19,507	11,175	170	–	160,679
Deferred tax liabilities										5,919
Unallocated corporate liabilities										72,795
Consolidated total liabilities										239,393
Acquisitions of non-current assets	11,920	–	2,568	–	219	86,414	2,620	–	11,666	115,407

GEOGRAPHICAL INFORMATION	Australia $'000	New Zealand and Fiji $'000	Germany $'000	United Arab Emirates $'000	Total $'000
External segment revenue	337,126	19,641	353,310	–	710,077
Reportable segment assets	576,467	27,576	85,706	–	689,749
Equity accounted investments	98,501	1,938	3,099	14,212	117,750
Acquisitions of non-current assets	112,634	205	2,568	–	115,407

	Note	2010 $'000	2009 $'000
NOTE 3 – REVENUE AND OTHER INCOME			
REVENUE			
Sale of goods		231,373	194,244
Rendering of services		527,488	475,616
		758,861	669,860
Finance revenue:			
Interest income – bank deposits		751	1,278
Interest income – other persons		107	162
		858	1,440
Rental revenue:			
Associates	39	41	97
Other persons		22,811	21,896
		22,852	21,993
Dividends received and receivable from:			
Available-for-sale financial assets		428	428
Other entities		51	25
		479	453
Management and consulting fees received and receivable from:			
Jointly controlled entities	37	5,676	5,554
Other persons		11,649	12,113
		17,325	17,667
Sundry revenue		1,041	646
OTHER INCOME			
Development gain on valuation and reclassification to an investment property of the Canberra Civic property		10,163	–
Increase in fair value of investment properties		275	–
Profit on sale of plant and equipment		–	12
Plant and equipment impairment reversal		986	240
		11,424	252
Total revenue and other income		812,840	712,311
REVENUE AND OTHER INCOME INCLUDING SHARE OF SALES REVENUE FOR JOINTLY CONTROLLED ENTITIES:			
Revenue as listed above		812,840	712,311
Jointly controlled entities *	37	235,875	212,179
		1,048,715	924,490

* To more fairly reflect the operations of the Group, revenue disclosed includes the Group's share of the sales revenue earned by jointly controlled entities. The share of sales revenue of each jointly controlled entity is disclosed at Note 37.

NOTE 4 – PROFIT BEFORE INCOME TAX

(a) EXPENSES AND LOSSES/(GAINS)

	2010 $'000	2009 $'000
Profit before income tax has been arrived at after charging/(crediting) the following items:		
Cost of goods sold	65,922	61,060
Finance costs:		
Bank interest and finance costs	4,618	4,619
Ineffective interest rate hedges expensed	331	–
Interest expense – associates	55	125
Interest and finance costs – other persons	2	16
Finance charges on capitalised leases	214	665
Less: Capitalised interest	(826)	(464)
	4,394	4,961
Unwind of notional interest	211	151
	4,605	5,112
Net bad and doubtful debts (write-back)/expense including (write-back)/increase in the doubtful debts allowance	(510)	101
Amortisation of:		
Buildings and improvements subject to long term leases	8,574	7,647
Leased plant and equipment	–	157
Intangible assets	2,511	1,855
Other	331	219
	11,416	9,878
Depreciation	22,231	20,754
	33,647	30,632
Impairment write-downs:		
Freehold land and buildings	5,800	5,340
Plant and equipment	5,525	281
Investments	–	190
	11,325	5,811
Operating lease rental expense	103,048	106,134
Loss on sale of plant and equipment	1,047	366
Increase/(decrease) in provision for:		
Onerous contracts	1,892	(1,251)
Insurance loss contingencies and other	(349)	410
Decommissioning of leasehold improvements	(137)	(126)
	1,406	(967)
Employee expenses:		
Salaries and wages	155,485	150,975
Employee benefits provisions	8,023	8,137
Share-based payments expense	1,494	1,258
Superannuation contributions	7,264	6,627
	172,266	166,997
Net foreign exchange gains	(105)	(89)

NOTE 4 – PROFIT BEFORE INCOME TAX (CONTINUED)

(b) INDIVIDUALLY SIGNIFICANT ITEMS

	2010 $'000	2009 $'000
Profit before income tax includes the following income/(expense) items whose disclosure is relevant in explaining the financial performance of the Group:		
INCOME		
Development gain on valuation and reclassification to an investment property of the redeveloped Canberra Civic property	10,163	–
Profit on sale of developed residential land lots	8,304	–
Reversal of prior years' impairment write-downs of plant and equipment at certain cinema sites in Germany	986	–
EXPENSES		
Impairment write-downs of freehold land and buildings	(5,800)	(5,340)
Impairment write-downs of plant and equipment arising from the planned redevelopment of the Gowings and State Theatre Office buildings in Sydney	(5,525)	–
Provision for onerous contract relating to the lease of a closed cinema site in Germany	(2,201)	–
RELATING TO JOINTLY CONTROLLED ENTITY		
Share of reversal of prior years' impairment write-downs of plant and equipment	3,262	–
	9,189	(5,340)

NOTE 5 – DISCONTINUED OPERATIONS

2010

There were no discontinued operations in the year ended 30 June 2010.

2009

On 26 September 2008, the Group sold its 50% shareholding in an associate, Atlab Holdings Pty Limited. The comparative Income Statement has been restated to show income relating to this discontinued investment separately from continuing operations. The consideration from the sale of the investment in Atlab Holdings Pty Limited was $1,500,000 which was equivalent to the Group's carrying value for the shareholding as at 30 June 2008. As a result, there was no profit or loss recognised on the sale during the year to 30 June 2009. The tax effect of a capital gains tax loss amounting to $3,680,000 was recognised in respect of this disposal in the year ended 30 June 2009.

ANALYSIS OF PROFIT AND LOSS OF DISCONTINUED OPERATIONS

	2010 $'000	2009 $'000
Management fees received from associate	–	250
Total revenue	–	250
Profit before income tax	–	250
Income tax expense	–	(75)
Profit after income tax for discontinued operations	–	175
Gain on sale of discontinued operation	–	–
Income tax benefit – sale of discontinued operations	–	3,680
Profit for the period	–	3,855

During the prior financial year to 30 June 2009, discontinued operations had cash inflows from operating activities of $250,000, cash inflows from investing activities on disposal of an interest in an associate of $1,500,000 and cash inflows from financing activities of $nil.

	2010 $	2009 $
NOTE 6 – AUDITORS' REMUNERATION		
Audit services:		
Auditors of the Group – KPMG Australia		
Audit and review of financial reports	886,407	855,191
Other assurance services	128,403	32,210
Overseas KPMG firms		
Audit and review of financial reports	398,324	378,740
Other assurance services	8,018	14,606
	1,421,152	1,280,747
Other services:		
Auditors of the Group – KPMG Australia		
Income tax compliance	152,721	156,492
Indirect tax compliance advice	39,270	108,129
	191,991	264,621
Overseas KPMG firms		
Income tax compliance	110,366	100,502
Indirect tax compliance advice	11,170	13,572
Other taxation services	100,001	132,176
	221,537	246,250
	413,528	510,871

	2010 $'000	2009 $'000
NOTE 7 – TAXATION		
(a) INCOME TAX EXPENSE		
The major components of income tax expense are:		
INCOME STATEMENT		
Income tax expense reported	37,672	22,932
Income tax benefit attributable to discontinued operations	–	(3,605)
	37,672	19,327
Current income tax		
Current income tax expense	31,736	25,015
Adjustments in respect of current income tax of prior year	(308)	(376)
Deferred income tax		
Relating to origination and reversal of temporary differences	6,244	(5,312)
Income tax expense reported in the Income Statement	37,672	19,327
INCOME TAX CHARGED/(CREDITED) TO EQUITY		
Deferred income tax related to items charged or credited directly to equity:		
Relating to other comprehensive income		
Net gain/(loss) on revaluation of cash flow hedges	425	(596)
Unrealised gain/(loss) on available-for-sale investments	325	(375)
Currency translation movements of deferred tax balances of foreign operations	165	(318)
Other foreign currency translation differences	614	12
Net gain on hedge of net investment in overseas subsidiaries	335	–
	1,864	(1,277)
Relating to other equity balances		
Renounceable pro-rata entitlement offer costs amortised for tax	(403)	–
Adjustment to shared-based payments reserve	(169)	(110)
	(572)	(110)
Income tax benefit/(expense) reported in equity	1,292	(1,387)

NOTE 7 – TAXATION (CONTINUED)

RECONCILIATION BETWEEN INCOME TAX EXPENSE AND PRE-TAX NET PROFIT

A reconciliation between income tax expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2010 $'000	2009 $'000
Profit before tax from continuing operations	136,444	88,554
Profit before tax from discontinued operations	–	250
Accounting profit before income tax expense	136,444	88,804
Prima facie income tax expense calculated at the Group's statutory income tax rate of 30% on the accounting profit	40,933	26,641
Increase in income tax expense due to:		
Restatement of deferred tax balances in New Zealand arising from reduction of company tax rate and elimination of building depreciation for tax	2,957	–
Non-deductible items and losses in non-resident controlled entities	2,733	2,231
Impairment write-down of land and buildings	1,740	1,602
Depreciation and amortisation of buildings	328	500
Non-deductible acquisition and legal costs	438	32
Non-refundable franking credits grossed up	66	68
Dividends from equity accounted associates	21	30
Sundry items	314	147
	8,597	4,610
Decrease in income tax expense due to:		
Tax losses from prior years now recognised or utilised	5,272	3,133
Share of associates' net profit	2,640	3,358
Difference between book and tax values of developed residential lots recognised	1,714	–
Difference between book and tax profit on disposal of an investment in an associate entity	–	3,680
Difference between book and tax values for investment properties recognised	589	–
Share of incorporated jointly controlled entities' net profit	456	666
Investment allowance and research and development tax concession	471	183
Franking credits on dividends received	183	184
Share of investment allowance and non-assessable items in jointly controlled entities' income tax	158	190
Franking credits on dividends received from equity accounted associates	37	43
Share-based payments deductible for tax	30	111
	11,550	11,548
Income tax over provided in prior year	(308)	(376)
	37,672	19,327

(b) CURRENT TAX LIABILITIES

PROVISION FOR CURRENT INCOME TAX

	2010 $'000	2009 $'000
Movements during the year:		
Balance at the beginning of the year	11,906	25,352
Income tax paid	(28,846)	(38,532)
Current year income tax provided	32,805	24,738
Income tax provision within entities acquired	56	–
Tax refunds received	778	666
Over provision in prior year	(1,170)	(434)
Foreign currency differences in translation of foreign operations	(1,320)	116
	14,209	11,906

NOTE 7 – TAXATION (CONTINUED)

(c) DEFERRED INCOME TAX

	Statement of Financial Position		Income Statement	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
DEFERRED TAX LIABILITIES				
Deferred tax liabilities comprise:				
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	12,972	8,897	4,372	1,110
Difference in treatment of property lease for accounting and tax purposes	1,331	1,514	100	(245)
Investment properties	6,179	3,526	2,653	(234)
Available-for-sale investments	1,617	1,292	–	–
Interest and holding charges capitalised	1,180	924	256	184
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	1,402	1,215	187	108
Prepayments	106	101	5	(20)
Share-based payments deductible for tax but deferred and amortised for accounting purposes	1,380	984	565	212
Share of jointly controlled entity timing differences	641	539	102	(601)
Unrealised foreign exchange gains not currently assessable	1,108	321	(30)	–
Sundry items	231	109	118	5
	28,147	19,422		
Less: Deferred tax liabilities of the tax-consolidated group offset against deferred tax assets	(20,145)	(13,503)		
	8,002	5,919		
DEFERRED TAX ASSETS				
Deferred tax assets comprise:				
Provisions and accrued employee benefits not currently deductible	10,302	5,546	148	(889)
Unrealised foreign exchange losses not currently deductible	364	219	(264)	114
Unrealised foreign exchange differences on cash flow hedges	239	588	(76)	–
Deferred revenue	2,568	2,474	(94)	(710)
Difference in depreciation and amortisation of property, plant and equipment and intangible assets for accounting and income tax purposes	8,423	6,955	(2,173)	(298)
Lease termination payment not currently deductible	210	420	210	210
Share of jointly controlled entity timing differences	6,194	6,657	463	(226)
Tax losses carried forward	2,023	1,177	(1,262)	(170)
Capital losses offsetting unrealised capital gains	1,031	3,680	2,649	(3,680)
Difference between book and tax values of developed residential land lots	1,834	–	(1,834)	–
Renounceable pro-rata entitlement offer costs amortised for tax	323	–	80	–
Sundry items	624	513	69	(182)
	34,135	28,229		
Less: Deferred tax liabilities of the tax-consolidated group offset against deferred tax assets	(20,145)	(13,503)		
	13,990	14,726		
Deferred tax expense/(income)			6,244	(5,312)
UNRECOGNISED DEFERRED TAX ASSETS				
Revenue losses – foreign			24,047	36,463
Temporary differences – foreign			1,350	1,050
			25,397	37,513

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTE 7 – TAXATION (CONTINUED)

Included in the deferred tax assets not recognised is the gross value of tax revenue losses arising in Germany of $80,157,000 (2009: $121,542,000). The availability of these tax losses is subject to certain utilisation limits and ongoing availability tests under German tax law.

At 30 June 2010, there is no recognised deferred income tax liability (2009: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or incorporated jointly controlled entities.

TAX CONSOLIDATION

The Company and its wholly owned Australian resident subsidiaries have formed a tax-consolidated group. Amalgamated Holdings Limited is the head entity for the tax-consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate current and deferred tax amounts to the wholly owned subsidiaries using a "group allocation method approach". The Group recognises deferred tax assets arising from unused tax losses (including capital losses) of the tax-consolidated group to the extent that it is probable that future taxable profits (including capital gains) of the tax-consolidated group will be available against which the asset can be utilised. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

TAX FUNDING ARRANGEMENT FOR MEMBERS OF THE TAX-CONSOLIDATED GROUP

Members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to or from the Company as head entity equal to the current tax liability or asset assumed by the head entity excluding any tax loss deferred tax asset assumed by the head entity. The members of the tax-consolidated group have also entered into a valid tax sharing agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax-consolidated group.

NOTE 8 – DIVIDENDS

	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Dividends on ordinary shares paid during the year are:					
2010					
Final 2009 dividend paid	21	27,383	17 September 2009	30%	100%
Interim 2010 dividend paid	14	21,907	29 March 2010	30%	100%
		49,290			
2009					
Final 2008 dividend paid	19	24,554	25 September 2008	30%	100%
Interim 2009 dividend paid	11	14,344	19 March 2009	30%	100%
		38,898			
SUBSEQUENT EVENTS					
Since the end of the financial year, the directors declared the following dividend:					
Final 2010 dividend	23	36,615	16 September 2010	30%	100%

The financial effect of this final dividend in respect of the year has not been brought to account in the financial statements for the year ended 30 June 2010 and will be recognised in subsequent financial statements.

A dividend reinvestment plan was available for the interim 2010 dividend paid on 29 March 2010. For details of shares issued under this plan, refer Note 26.

	2010 $'000	2009 $'000
FRANKING CREDIT BALANCE		
The amount of franking credits available are:		
Franking account balance as at the beginning of the financial year at 30% (2009: 30%)	138,872	134,419
Franking credits from the payment of income tax and income tax payable	23,632	20,897
Franking debits from the payment of dividends	(21,124)	(16,670)
Franking credits from the receipt of dividends	183	226
The amount of franking credits available for future reporting periods	141,563	138,872

The impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period is to reduce the balance by $15,692,000 (2009: $11,736,000).

The ability to utilise franking credits is dependent upon the Company being in a sufficient positive net asset position and also having adequate available cash flow liquidity.

In accordance with the tax consolidation legislation, the Company, as the head entity in the tax-consolidated group, has also assumed the benefit of the franking credits available.

	2010 $'000	2009 $'000

NOTE 9 – EARNINGS PER SHARE

EARNINGS RECONCILIATION

	2010 $'000	2009 $'000
Profit after tax from continuing operations	98,772	65,622
Add: Loss after tax attributable to minority interest	–	6
Basic earnings – continuing operations	98,772	65,628
Basic earnings – discontinued operations	–	3,855
Earnings attributable to equity holders of the Company	98,772	69,483

	Number	Number
Weighted average number of ordinary shares used as the denominator number for basic earnings per share	148,762,958	136,287,264
Effect of management share options on issue	–	–
Number for diluted earnings per share	148,762,958	136,287,264

There were no management share options on issue at 30 June 2010 (2009: Nil).

NOTE 10 – CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash at bank and on hand	45,288	23,227

Details relating to cash at bank and on hand and the Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 29.

NOTE 11 – RECEIVABLES

	2010 $'000	2009 $'000
CURRENT		
Trade receivables	34,757	27,347
Less: Impairment of trade receivables	(591)	(1,906)
	34,166	25,441
Other receivables	14,679	10,911
Receivable from jointly controlled entities	1,631	2,018
	50,476	38,370
NON-CURRENT		
Trade receivables	93	143
Receivable from associates	43	43
Present value of loans provided under the employee share plan	269	330
	405	516

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

The Group's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 29.

Allowances are made for impairment losses until such time that the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount considered irrecoverable is written off against the asset directly.

	2010 $'000	2009 $'000
NOTE 11 – RECEIVABLES (CONTINUED)		
As at 30 June 2010, trade receivables with a value of $591,000 (2009: $1,906,000) were impaired and fully provided for. Movements in the allowance for trade receivables are as follows:		
Balance at the beginning of the year	1,906	2,223
Charge for the year	4	1,264
Provision no longer required	(1,291)	(1,837)
Net foreign currency differences on translation of foreign operations	(28)	256
	591	1,906
As at 30 June, the analysis of trade receivables for the Group that were past due but not impaired is as follows:		
Not past due nor impaired	26,502	13,291
Less than 30 days overdue	4,900	6,105
More than 30 days overdue but less than 90 days overdue	1,796	3,165
More than 90 days overdue	968	2,880
	34,166	25,441

Other receivables of $14,679,000 (2009:$10,911,000) do not contain impaired assets and are not past due. Based on the credit history of these other receivables, it is expected that these amounts will be recovered when due.

	2010 $'000	2009 $'000
NOTE 12 – INVENTORIES		
Raw materials and stores	2,797	2,408
Work in progress	3,870	752
Finished goods	7,673	7,633
Developed residential land lots – held for sale	3,784	2,983
Total inventories at the lower of cost and net realisable value	18,124	13,776
NOTE 13 – OTHER CURRENT ASSETS		
Prepayments	6,172	4,745
Sundry	428	229
	6,600	4,974
NOTE 14 – OTHER FINANCIAL ASSETS		
Investments (unquoted):		
Other entities	312	312
NOTE 15 – AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Investments in listed company	10,447	9,362

The Group's investment is in a company listed on the ASX. A 10% increase in the market price of the shares in this company at the reporting date would have increased equity by $731,000 after tax (2009: an increase of $655,000); an equal change in the opposite direction would have decreased equity by $731,000 after tax (2009: a decrease of $655,000).

	Note	2010 $'000	2009 $'000
NOTE 16 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD			
Associates	36	15,037	16,304
Jointly controlled entities	37	109,247	101,446
		124,284	117,750

The Group accounts for investments in associates and jointly controlled entities using the equity method, refer Note 1(c)(iii).

	2010 $'000	2009 $'000
NOTE 17 – PROPERTY, PLANT AND EQUIPMENT		
FREEHOLD LAND AND BUILDINGS		
At cost	417,489	404,881
Less: Accumulated depreciation	(63,368)	(53,682)
	354,121	351,199
LAND SUBJECT TO LONG TERM LEASES		
At cost – subject to long term lease	56	56
At cost – subject to long term finance lease	6,622	8,037
	6,678	8,093
BUILDINGS AND IMPROVEMENTS SUBJECT TO LONG TERM LEASES		
At cost – on land subject to long term lease	44,634	43,685
At cost – other leasehold improvements	118,029	114,986
At cost – subject to long term finance lease	21,453	26,034
	184,116	184,705
Less: Accumulated amortisation	(112,981)	(112,858)
	71,135	71,847
RESORT APARTMENTS AND SHARE OF COMMON PROPERTY		
At cost	26,898	15,513
Less: Accumulated depreciation	(278)	–
	26,620	15,513
CAPITAL WORK IN PROGRESS		
At cost	1,751	13,834
PLANT AND EQUIPMENT		
At cost	387,807	312,516
Less: Accumulated depreciation	(249,030)	(211,251)
	138,777	101,265
Total property, plant and equipment at net book value	599,082	561,751
RECONCILIATIONS		
Summaries of the movements in carrying amounts of each class of property, plant and equipment between the beginning and end of the year are set out below:		
FREEHOLD LAND AND BUILDINGS		
At cost at the beginning of the year	404,881	355,063
Less: Accumulated depreciation at the beginning of the year	(53,682)	(49,646)
Net balance at the beginning of the year	351,199	305,417
Additions	22,432	52,513
Transfer to investment properties	(9,776)	(1,838)
Transfer from capital work in progress	289	4,668
Transfer to inventories	–	(535)
Disposals	(159)	(23)
Net foreign currency differences on translation of foreign operations	178	276
Depreciation	(4,242)	(3,939)
Impairment write-downs	(5,800)	(5,340)
Net balance at the end of the year	354,121	351,199

	Note	2010 $'000	2009 $'000
NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
LAND SUBJECT TO LONG TERM LEASES			
At cost at the beginning of the year		8,093	7,638
Less: Accumulated depreciation at the beginning of the year		–	–
Net balance at the beginning of the year		8,093	7,638
Net foreign currency differences on translation of foreign operations		(1,415)	455
Net balance at the end of the year		6,678	8,093
BUILDINGS AND IMPROVEMENTS SUBJECT TO LONG TERM LEASES			
At cost at the beginning of the year		184,705	184,858
Less: Accumulated amortisation at the beginning of the year		(112,858)	(107,517)
Net balance at the beginning of the year		71,847	77,341
Additions		3,179	298
Addition through entities acquired	34	9,556	–
Transfer from capital work in progress		–	360
Net foreign currency differences on translation of foreign operations		(4,662)	1,350
Disposals		(211)	(56)
Amortisation		(8,574)	(7,446)
Net balance at the end of the year		71,135	71,847
RESORT APARTMENTS AND SHARE OF COMMON PROPERTY			
At cost at the beginning of the year		15,513	–
Less: Accumulated depreciation at the beginning of the year		–	–
Net balance at the beginning of the year		15,513	–
Additions		11,416	15,513
Transfer to plant and equipment		(31)	–
Depreciation		(278)	–
Net balance at the end of the year		26,620	15,513
CAPITAL WORK IN PROGRESS			
Balance at the beginning of the year		13,834	7,478
Net foreign currency differences on translation of foreign operations		–	(7)
Additions		155	19,684
Transfer to investment properties		(11,332)	–
Transfer out on completion		(906)	(10,873)
Transfer to inventories		–	(2,448)
Net balance at the end of the year		1,751	13,834
PLANT AND EQUIPMENT			
At cost at the beginning of the year		312,516	269,425
Less: Accumulated depreciation at the beginning of the year		(211,251)	(185,208)
Net balance at the beginning of the year		101,265	84,217
Additions		27,758	25,960
Addition through entities acquired	34	34,796	–
Transfer to investment properties		(121)	(41)
Transfer from capital work in progress		238	5,817
Transfer from leased plant and equipment		–	509
Net foreign currency differences on translation of foreign operations		(1,513)	1,976
Disposals		(1,396)	(355)
Depreciation		(17,711)	(16,815)
Impairment write-back		986	240
Impairment write-downs		(5,525)	(243)
Net balance at the end of the year		138,777	101,265

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2010 $'000	2009 $'000
LEASED PLANT AND EQUIPMENT		
At cost at the beginning of the year	–	2,088
Less: Accumulated amortisation at the beginning of the year	–	(1,422)
Net balance at the beginning of the year	–	666
Transfer to plant and equipment	–	(509)
Amortisation	–	(157)
Net balance at the end of the year	–	–

INDEPENDENT VALUATIONS OF INTEREST IN LAND AND BUILDINGS

In assessing current values for the Group's interest in land and buildings and integral plant and equipment, including long term leasehold land and improvements, directors have relied upon independent valuations from registered qualified valuers. Except for investment properties, which are revalued every half year (refer Note 18), valuations are generally carried out on a progressive three year cycle. The last valuations were completed as at June 2010 and June 2009.

MOST RECENT VALUATIONS OF INTEREST IN LAND AND BUILDINGS, EXCLUDING INVESTMENT PROPERTIES

	2010 $'000	2009 $'000
Due to the diversity of the Group's operations, valuations have been prepared on a highest and best alternate use or existing use basis. A summary, by year of the last valuation, is set out as follows:		
HIGHEST AND BEST ALTERNATE USE		
Independent valuation – 2009	54,500	61,250
EXISTING USE		
Independent valuation – 2010	203,798	–
Independent valuation – 2009	416,906	426,514
Independent valuation – 2007	–	219,559
	675,204	707,323
LAND AND BUILDINGS NOT INDEPENDENTLY VALUED		
Acquisition cost of properties acquired since June 2009 not yet independently valued	56,620	20,050
	731,824	727,373

The above valuations do not take into account the potential impact of capital gains tax.

The written-down book value of plant and equipment which is deemed integral to land and buildings, has been determined to total approximately $73,500,000 as at 30 June 2010 (2009: $68,000,000).

IMPAIRMENT LOSSES RECOGNISED

LAND AND BUILDINGS

During the year ended 30 June 2010, the trading performance of certain hotel properties caused the Group to reassess their recoverable amount. Hotel properties are treated as separate cash-generating units and their recoverable values were estimated based on their value in use. In determining the estimated value in use, discount rates in the range of 10.8% to 11.5% (2009: 11.4% to 11.9%) per annum were used. Cash flows were projected based on actual operating results, with longer term cash flows, after the initial forecast periods, extrapolated using average expected growth rates of 2% (2009: 1.5% to 2.5%) per annum. As a result of these assessments, impairment losses totalling $5,800,000 (2009: $3,028,000) were recognised in respect of hotel properties.

Given the long life nature of these assets, the estimates of their recoverable value in use are particularly sensitive to changes in certain key assumptions. Although all assumptions used are considered to be appropriate at this time, an increase of 1 percentage point in the discount rate, for the hotel properties assessed, would increase the impairment loss by $5,046,000. A 1 percentage point decrease in the discount rate would reduce the impairment loss by $5,631,000. A 10% decrease in the forecast earnings would increase the impairment loss by $12,528,000 and a 10% increase in forecast earnings would decrease the impairment loss by $5,800,000.

In the prior year to 30 June 2009, an impairment loss of $2,312,000 was also recognised for a retail property owned by the Group. The assessed recoverable amount was determined using estimated current market rentals, actual costs and a capitalisation rate of 7%.

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

PLANT AND EQUIPMENT

During the year ended 30 June 2010, impairment write-downs totalling $5,525,000 were booked in relation to plant and equipment at the Gowings and State Theatre Office buildings in Sydney. These write-downs arose due to the planned redevelopment of the buildings and was determined by conducting a line-by-line assessment of the recoverable value of plant and equipment as detailed in the Group's asset registers.

In the prior year to 30 June 2009, an impairment loss of $281,000 was recognised for plant and equipment at a cinema site in Germany.

During the year ended 30 June 2010, impairment write-downs made in prior years for a number of cinema sites in Germany were reversed to the value of $986,000 (2009: impairment reversal of $240,000). These write-backs were deemed appropriate due to improved cash flow generated by the sites resulting from a general improvement in trading performance. In assessing the recoverable amount for plant and equipment at these cinema sites, a discount rate of 12.2% has been applied to projected future cash flows which included a growth rate of 2%.

The impairment write-backs were only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation to the date of the impairment reversal, had no impairment loss been recognised.

SECURITY

The following assets, whose carrying values are listed below, are subject to mortgage security to secure the Group's bank loan facilities. Refer Note 23.

	2010 $'000	2009 $'000
Freehold land and buildings	163,480	161,411
Freehold land and buildings classified as investment properties	27,750	27,700
	191,230	189,111

LAND AND BUILDINGS SUBJECT TO FINANCE LEASE

The Group leases a property under a finance lease agreement. At the end of the lease, the Group has the option to purchase the property at no additional cost. If this option is not exercised, the Group can occupy the premises for a further five year period rent-free. At 30 June 2010, the net carrying amount of the property was $23,768,000 (2009: $29,605,000). The leased property secures lease obligations.

NOTE 18 – INVESTMENT PROPERTIES

	2010 $'000	2009 $'000
FREEHOLD LAND AND BUILDINGS		
At fair value	78,875	29,600
Summary of movements:		
Balance at the beginning of the year	29,600	28,500
Transfer from property, plant and equipment	21,229	1,879
Additions	17,608	–
Development gain on revaluation of Canberra Civic property	10,163	–
Revaluation increment on transfer from property, plant and equipment	–	267
Fair value increments/(decrements)	275	(1,030)
Other	–	(16)
Balance at the end of the year	78,875	29,600

The carrying amount of investment properties is the fair value of the property as determined by a registered qualified independent valuer. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. Valuers used capitalisation rates on reversionary rental yields in the range of 6.75% to 9.50% to determine fair values for the six investment properties held by the Group.

Investment properties comprise a number of commercial properties that are leased to third parties and which are held to derive rental income or capital appreciation or both. Each of the leases for investment properties contains an initial non-cancellable period of between five to 15 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged for these investment properties.

During the financial year ended 30 June 2010, $4,911,000 (2009: $2,455,000) was recognised as rental income for investment properties in the Income Statement with $1,281,000 (2009: $986,000) incurred in respect of direct costs, including $123,000 (2009: $135,000) for repairs and maintenance.

	2010 $'000	2009 $'000
NOTE 19 – GOODWILL AND OTHER INTANGIBLE ASSETS		
Goodwill	10,649	5,316
Construction rights	1,388	1,388
Liquor licences	185	185
	12,222	6,889
Management and leasehold rights – including initial contributions	20,361	6,712
Less: Accumulated amortisation	(2,690)	(1,771)
	17,671	4,941
Film library	380	–
Less: Accumulated amortisation	(357)	–
	23	–
Software	7,489	5,813
Less: Accumulated amortisation	(4,516)	(2,787)
	2,973	3,026
	32,889	14,856

RECONCILIATIONS

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

	Goodwill	Construction rights	Liquor licences	Management and leasehold rights	Film library	Software
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Gross balance at the beginning of the year	5,316	1,388	185	6,712	–	5,813
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	(1,771)	–	(2,787)
Net balance at the beginning of the year	5,316	1,388	185	4,941	–	3,026
Acquisitions and initial contributions	5,894	–	–	13,914	225	1,659
Amortisation	–	–	–	(925)	(208)	(1,378)
Disposals	–	–	–	(248)	–	(394)
Net foreign currency differences on translation of foreign operations	(561)	–	–	(11)	6	60
Net balance at the end of the year	10,649	1,388	185	17,671	23	2,973
2009						
Gross balance at the beginning of the year	5,064	1,388	185	6,097	–	5,090
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	(1,129)	–	(1,846)
Net balance at the beginning of the year	5,064	1,388	185	4,968	–	3,244
Acquisitions and initial contributions	–	–	–	611	–	828
Amortisation	–	–	–	(642)	–	(1,213)
Net foreign currency differences on translation of foreign operations	252	–	–	4	–	167
Net balance at the end of the year	5,316	1,388	185	4,941	–	3,026

NOTE 19 – GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT LOSSES RECOGNISED

No impairment losses in relation to goodwill have been recognised in the year ended 30 June 2010 (2009: $nil).

IMPAIRMENT TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

The following units have carrying amounts of goodwill:

	2010 $'000	2009 $'000
Cinema Exhibition Germany – cinema joint venture	3,683	4,470
Cinema Exhibition New Zealand	6,120	–
Multiple units without significant goodwill	846	846
	10,649	5,316

The recoverable value of goodwill relating to the Event Cinemas exhibition business in New Zealand and goodwill relating to the Group's share of a cinema joint venture in Germany has been determined by a value in use calculation. This calculation uses cash flow projections based on actual operating results and the three year plan, with cash flows beyond the three year period being projected using a 2% per annum growth rate, which is considered appropriate given economic indicators and the expected long term increase in revenue and operating costs in these markets. A pre-tax discount rate of 12.2% per annum has been used in discounting the projected cash flows.

	2010 $'000	2009 $'000
NOTE 20 – OTHER NON-CURRENT ASSETS		
Security deposits in respect of long term operating leases	4,034	5,062
Wildlife	640	640
Operating lease payments paid in advance	1,083	1,588
Sundry	2,023	1,968
	7,780	9,258
NOTE 21 – PAYABLES		
CURRENT		
Trade creditors	24,503	30,622
Other creditors and accruals	49,532	46,694
	74,035	77,316
NON-CURRENT		
Payables to associates	2	2

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

		Note	2010 $'000	2009 $'000

NOTE 22 – INTEREST BEARING LIABILITIES AND BORROWINGS

		Note	2010 $'000	2009 $'000
CURRENT				
INTEREST BEARING LIABILITIES AND BORROWINGS				
Bank loans	– secured	23	–	700
Loans from associates	– unsecured		916	901
Lease liabilities	– secured	31	3,934	4,902
Deferred financing costs			(248)	(248)
			4,602	6,255
NON-INTEREST BEARING LOANS				
Loans from other companies	– unsecured		391	459
			4,993	6,714
NON-CURRENT				
INTEREST BEARING LIABILITIES AND BORROWINGS				
Bank loans	– secured	23	40,624	67,093
Lease liabilities	– secured	31	–	4,925
Deferred financing costs			(242)	(490)
			40,382	71,528
NON-INTEREST BEARING LOANS				
Loans from other companies	– unsecured		1,247	1,724
			41,629	73,252

The Group's exposure to currency and liquidity risk related to interest bearing liabilities and borrowings is disclosed in Note 29.

NOTE 23 – FINANCING ARRANGEMENTS

BANK DEBT – SECURED

The Group's secured bank debt facilities comprise the following:

- A$160,000,000 of revolving multi-currency loan facility;
- A$70,000,000 of cash advance facility;
- A$38,750,000 of credit support facility (for the issue of letters of credit and bank guarantees); and
- a total of A$5,050,000 in overdraft limits to support its transactional banking facilities.

The above facilities mature on 10 July 2012. These facilities are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 0.45% and 0.90%. At 30 June 2010, the Group had drawn $40,624,000 (2009: $67,093,000) under the debt facilities, of which 20% was subject to interest rate swaps used for hedging.

OTHER LOANS – GERMANY

In addition to the above facilities, wholly owned subsidiaries in Germany have a working capital facility totalling €9,000,000 (A$12,896,000), secured by a letter of credit and bank guarantees drawn under the credit support facility in Australia. Debt drawn under this facility bears interest at the relevant inter-bank benchmark reference rate plus a margin of 0.85%. This facility is subject to annual review. At 30 June 2010, the Group had no debt drawn under this facility (2009: debt of A$700,000).

FINANCE LEASE LIABILITY – GERMANY

A wholly owned subsidiary in Germany also has a property finance lease with a balance outstanding of A$3,934,000 (2009: A$9,827,000). The lease bears interest at the relevant inter-bank benchmark reference rate plus a margin of 1.75% and as at 30 June 2010 had interest rate swaps used for hedging applying to 47.2% of the balance outstanding (also refer Note 31).

	Note	2010 $'000	2009 $'000
NOTE 24 – PROVISIONS			
CURRENT			
Employee benefits	30	13,566	11,932
Onerous contracts		2,766	–
Insurance loss contingencies and other claims		311	757
		16,643	12,689
NON-CURRENT			
Employee benefits	30	2,085	2,019
Onerous contracts		1,344	–
Decommissioning of leasehold improvements		7,480	7,559
		10,909	9,578
MOVEMENTS IN PROVISIONS			
Movements in the carrying amounts of each class of provisions, except for employee benefits, are set out below:			
ONEROUS CONTRACTS			
Carrying amount at the beginning of the year		–	1,221
Provisions assumed through entities acquired	34	2,163	–
Provisions utilised		(309)	(686)
Provisions made		2,201	–
Provisions for lease costs on closed cinema sites released		–	(445)
Provisions for surplus leased space released		–	(120)
Net foreign currency differences on translation of foreign operations		55	30
Carrying amount at the end of the year		4,110	–
INSURANCE LOSS CONTINGENCIES AND OTHER CLAIMS			
Carrying amount at the beginning of the year		757	348
Payments made		(97)	(1)
Provisions made		27	473
Reduction made		(376)	(63)
Carrying amount at the end of the year		311	757
DECOMMISSIONING OF LEASEHOLD IMPROVEMENTS			
Carrying amount at the beginning of the year		7,559	7,157
Provision assumed through entities acquired	34	1,096	–
Provisions reduced		(137)	(126)
Notional interest		100	151
Net foreign currency differences on translation of foreign operations		(1,138)	377
Carrying amount at the end of the year		7,480	7,559

ONEROUS CONTRACTS

The onerous contracts provision relate to long term non-cancellable operating leases in respect of cinema sites in New Zealand and Germany. Provisions have been raised for the forecast net deficits resulting from obligations under the leases. For further detail on the basis of accounting, refer Note 1(q)(ii).

INSURANCE LOSS CONTINGENCIES AND OTHER CLAIMS

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

DECOMMISSIONING OF LEASEHOLD IMPROVEMENTS

The decommissioning of leasehold improvements provision has been raised in respect of "make-good" obligations under long term lease contracts for cinema sites. In determining the provisions, an assessment has been made, for each location, of the likelihood that a decommissioning cost will be incurred in the future and, where applicable, the level of costs to be incurred. Uncertainty exists in estimating the level of costs to be incurred in the future because of the long term nature of cinema leases. The basis of accounting is set out in Note 1(q)(iii).

	Note	2010 $'000	2009 $'000

NOTE 25 – OTHER LIABILITIES

	Note	2010 $'000	2009 $'000
CURRENT			
Derivatives at fair value	29	617	1,221
Contract deposits received in advance		6,658	7,252
Lease incentives deferred		1,260	–
		8,535	8,473
NON-CURRENT			
Derivatives at fair value	29	197	840
Lease incentives deferred		4,623	–
		4,820	840

NOTE 26 – SHARE CAPITAL

	2010 Shares	2009 Shares	2010 $'000	2009 $'000
SHARE CAPITAL				
Fully paid ordinary shares	159,196,899	130,396,203	219,126	101,353
MOVEMENTS IN SHARE CAPITAL				
Balance at the beginning of the year	130,396,203	129,136,106	101,353	98,809
Shares issued under the Renounceable Pro-rata Entitlement Offer	26,080,088	–	105,987	–
Shares issued under the Dividend Reinvestment Plan	2,150,415	–	11,786	–
Shares issued under the Management Share Option Plan	–	733,500	–	2,544
Performance shares issued under the Executive Performance Share Plan	570,193	526,597	–	–
Balance at the end of the year	159,196,899	130,396,203	219,126	101,353
SHARE CAPITAL CONSISTS OF:				
Ordinary shares	157,266,021	128,987,262		
Employee Share Plan	174,620	176,520		
Tax Exempt Share Plan	14,478	18,455		
Performance shares – restricted and held in trust	1,741,780	1,213,966		
Balance at the end of the year	159,196,899	130,396,203		

ORDINARY SHARES

The Company does not have authorised capital or par value in respect of its issued shares.

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

SHARE BUY-BACK

There is no current on-market buy-back.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan was activated for the interim 2010 dividend paid on 29 March 2010. A total of 2,150,415 shares were issued under the Dividend Reinvestment Plan at $5.48 per share.

EMPLOYEE AND EXECUTIVE SHARE PLANS

Information relating to the plans is set out in Note 30.

OPTIONS

There are no share options on issue as at 30 June 2010. For information relating to the Management Share Option Plan, including details of options exercised and lapsed in the prior year to 30 June 2009, refer Note 30.

RENOUNCEABLE PRO-RATA ENTITLEMENT OFFER

During the year, Amalgamated Holdings Limited issued 26,080,088 ordinary shares at $4.10 per share under a Renounceable Pro-rata Entitlement Offer to shareholders. The Renounceable Pro-rata Entitlement Offer was announced on 3 November 2009 and new shares were issued on 8 December 2009. Net proceeds from this offer were $105,584,000, before recognition of a deferred tax asset of $403,000 relating to the future deductibility of issue costs.

	2010 $'000	2009 $'000
NOTE 27 – RESERVES AND RETAINED EARNINGS		
RESERVES		
Available-for-sale investments revaluation	7,357	6,598
Investment property revaluation	3,820	3,820
Hedging	(71)	(1,473)
Share-based payments	6,339	4,581
Foreign currency translation	(17,342)	(7,359)
	103	6,167
MOVEMENTS IN RESERVES		
AVAILABLE-FOR-SALE INVESTMENTS REVALUATION RESERVE		
Balance at the beginning of the year	6,598	7,471
Movement in fair value – net of tax	759	(873)
Balance at the end of the year	7,357	6,598
INVESTMENT PROPERTY REVALUATION RESERVE		
Balance at the beginning of the year	3,820	3,553
Transfer on reclassification of property to investment property	–	267
Balance at the end of the year	3,820	3,820
HEDGING RESERVE		
Balance at the beginning of the year	(1,473)	380
Movement in fair value of cash flow hedging instruments – net of tax	1,402	(1,853)
Balance at the end of the year	(71)	(1,473)
SHARE-BASED PAYMENTS RESERVE		
Balance at the beginning of the year	4,581	3,012
Amount recognised in the Income Statement as an employee expense	1,541	1,258
Amount charged to related entities	–	166
Other adjustments	217	145
Balance at the end of the year	6,339	4,581
FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at the beginning of the year	(7,359)	(9,239)
Currency translation adjustment on controlled foreign entities' financial statements	(7,744)	(216)
Increment/(decrement) on foreign currency translation of share of associates' net assets	(2,239)	2,154
Transfer to retained earnings	–	(58)
Balance at the end of the year	(17,342)	(7,359)

AVAILABLE-FOR-SALE INVESTMENTS REVALUATION RESERVE

This reserve includes the cumulative net change in the fair value of available-for-sale investments. Amounts are recognised in the Income Statement when the associated assets are sold or impaired.

INVESTMENT PROPERTY REVALUATION RESERVE

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

HEDGING RESERVE

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

SHARE-BASED PAYMENTS RESERVE

This reserve includes the cumulative fair value of management share options and the fair value of the executive performance shares which have been recognised as an employee expense in the Income Statement.

NOTE 27 – RESERVES AND RETAINED EARNINGS (CONTINUED)

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Group's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a foreign operation and the Group's share of associates' increment or decrement in the foreign currency translation reserve. Refer accounting policy Note 1(d).

	2010 $'000	2009 $'000
RETAINED EARNINGS		
Balance at the beginning of the year	491,475	460,832
Transfer from foreign currency translation reserve	–	58
Profit attributable to equity holders of the Company	98,772	69,483
Dividends paid	(49,290)	(38,898)
Balance at the end of the year	540,957	491,475

NOTE 28 – PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended, 30 June 2010, the parent entity of the Group was Amalgamated Holdings Limited.

	2010 $'000	2009 $'000
RESULTS OF PARENT ENTITY		
Profit for the year	77,932	59,962
Other comprehensive income/(expense)	1,817	(159)
Total comprehensive income for the year	79,749	59,803
FINANCIAL POSITION OF PARENT ENTITY AT YEAR END		
Current assets	310	1,377
Total assets	386,740	236,762
Current liabilities	10,840	13,062
Total liabilities	14,462	13,416
Net assets	372,278	223,346
TOTAL EQUITY OF PARENT ENTITY COMPRISES OF:		
Share capital	219,126	101,353
Reserves		
— Available-for-sale investments revaluation	7,357	6,598
— Share-based payments	6,339	4,581
Retained earnings	139,456	110,814
	372,278	223,346
PARENT ENTITY COMMITMENTS		
OPERATING LEASE COMMITMENTS – AS LESSEE		
Future minimum operating lease rental not provided for and payable:		
Within one year	134	230
Later than one year but not later than five years	–	134
	134	364

NOTE 28 – PARENT ENTITY DISCLOSURES (CONTINUED)

PARENT ENTITY CONTINGENCIES

Details of contingent liabilities for the parent entity which although considered remote the directors consider should be disclosed, are as follows:

	2010 $'000	2009 $'000
CONTROLLED ENTITIES		
The Company has guaranteed the obligations of some subsidiary entities in respect of a number of operating lease commitments. Operating lease commitments of subsidiary entities that have been guaranteed are due:		
Not later than one year	63,582	66,449
Later than one year but not later than five years	136,582	120,968
Later than five years	167,629	148,738
	367,793	336,155
The Company has guaranteed the Group's share of other commitments in respect of financing and other arrangements of certain subsidiary entities	924	2,382
The Company has guaranteed finance lease commitments of a subsidiary	537	2,608
JOINTLY CONTROLLED ENTITIES		
The Company has guaranteed lease commitments of certain jointly controlled entities. Operating lease commitments of jointly controlled entities guaranteed are due:		
Not later than one year	29,076	29,585
Later than one year but not later than five years	107,221	110,641
Later than five years	143,537	172,044
	279,834	312,270
	649,088	653,415

PARENT ENTITY GUARANTEE IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The Company has entered into a Deed of Cross Guarantee with effect that the Company guarantees debts in respect of most of its Australian incorporated subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 33.

NOTE 29 – FINANCIAL RISK MANAGEMENT

FINANCIAL RISK

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

The Group's activities expose it to the following financial risks:

- credit risk;
- liquidity risk; and
- market risk, including currency risk and interest rate risk.

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

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

CREDIT RISK

Credit risk arises from trade and other receivables outstanding, cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. It is the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables from customers.

TRADE AND OTHER RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk.

Exposure to credit risk is monitored on an ongoing basis. Management has established a credit policy under which each new customer requiring credit over a certain amount is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. Purchase limits are established for major customers, which represents the maximum open amount without requiring additional approval from management.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main component of this allowance relates to exposures for specific debtors.

NOTE 29 – FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

INVESTMENTS

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

At 30 June 2010, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

GUARANTEES

All guarantees are in respect of obligations of subsidiaries, associates or jointly controlled entities in which the Group has an interest. Details of guarantees given by the Group are provided in Note 32. Details of guarantees given by the parent entity are provided in Note 28.

THE GROUP'S EXPOSURE

	Note	2010 $'000	2009 $'000
The Group's maximum exposure to credit risk at the reporting date was:			
Available-for-sale financial assets	15	10,447	9,362
Receivables	11	50,881	38,886
Cash and cash equivalents	10	45,288	23,227
Security deposits in respect of long term leases	20	4,034	5,062
		110,650	76,537
The maximum exposure to credit risk for receivables at the reporting date by geographic region was:			
Australia		39,386	31,314
New Zealand		5,955	826
Germany and other Euro-zone countries		5,388	6,422
United Kingdom		26	10
Other		126	314
		50,881	38,886
The maximum exposure to credit risk for receivables by business segment at the reporting date was:			
Cinema Exhibition – Australia		5,443	4,643
Cinema Exhibition – Germany		5,286	6,238
Cinema Exhibition – New Zealand		678	–
Hotels		9,315	7,250
Thredbo Alpine Resort		359	1,016
Leisure/Attractions		204	283
Property and Other Investments		16,215	1,438
Entertainment Technology		4,822	13,229
Other		8,559	4,789
		50,881	38,886

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a number of counterparties. Bank debt facilities available to the Group are detailed in Note 23.

NOTE 29 – FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY FINANCIAL RISK (CONTINUED)

THE GROUP'S FINANCIAL LIABILITIES

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

	Carrying amount	Contractual cash flows	6 months or less	Between 6 to 12 months	Between 1 to 2 years	Between 2 to 5 years	Over 5 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 JUNE 2010							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Secured bank loans	40,624	(44,696)	(742)	(952)	(2,141)	(40,861)	–
Unsecured loans from associates	916	(1,522)	(27)	(28)	(59)	(188)	(1,220)
Finance lease liability	3,934	(4,056)	(2,180)	(1,876)	–	–	–
Unsecured non-interest bearing loans from other companies	1,638	(1,638)	(346)	(319)	(130)	16	(859)
Trade payables	24,503	(24,503)	(24,503)	–	–	–	–
Other creditors and accruals	49,532	(49,532)	(49,532)	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES /(ASSETS)							
Interest rate swaps used for hedging (net)	763	(773)	(327)	(249)	(197)	–	–
Forward exchange contracts used for hedging (net)	51	(51)	(51)	–	–	–	–
	121,961	(126,771)	(77,708)	(3,424)	(2,527)	(41,033)	(2,079)
30 JUNE 2009							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Secured bank loans	67,793	(78,707)	(1,993)	(1,288)	(3,524)	(71,902)	–
Unsecured loans from associates	901	(1,542)	(29)	(30)	(63)	(199)	(1,221)
Finance lease liability	9,827	(10,233)	(2,645)	(2,645)	(4,943)	–	–
Unsecured non-interest bearing loans from other companies	2,183	(2,183)	(176)	(176)	(361)	(611)	(859)
Trade payables	30,622	(30,622)	(30,622)	–	–	–	–
Other creditors and accruals	46,694	(46,694)	(46,694)	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES /(ASSETS)							
Interest rate swaps used for hedging (net)	1,983	(2,005)	(808)	(600)	(527)	(70)	–
Forward exchange contracts used for hedging (net)	78	(78)	(78)	–	–	–	–
	160,081	(172,064)	(83,045)	(4,739)	(9,418)	(72,782)	(2,080)

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

MARKET RISK

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

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

NOTE 29 – FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISK (CONTINUED)

INTEREST RATE RISK

The Group manages interest rate exposures on borrowings in accordance with a Board approved treasury policy that specifies parameters for hedging including hedging percentages and approved hedging instruments. The policy specifies upper and lower hedging limits set for specific time frames out to five years.

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

	2010 $'000	2009 $'000
FIXED RATE INSTRUMENTS		
Financial assets	–	–
Financial liabilities	–	–
	–	–
VARIABLE RATE INSTRUMENTS		
Financial assets	39,918	21,341
Financial liabilities	(45,474)	(78,521)
	(5,556)	(57,180)

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

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. The Group currently hedges interest bearing debt in AUD, EUR and NZD with cover at 30 June 2010 extending to March 2012 in AUD, to December 2010 in EUR and to September 2011 in NZD. At 30 June 2010, due to the low level of Group debt, the Group had only 20% (2009: 64%) of debt hedged.

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

Details on the major components of the Group's interest bearing liabilities are disclosed in Notes 22 and 23.

SENSITIVITY ANALYSIS

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The Group's derivatives (interest rate swaps) qualify for hedge accounting and the movement in fair value of those effective interest rate swaps is accounted for in equity in the hedging reserve. Therefore, a change in interest rates at the reporting date for those effective swaps would not affect the profit for the period.

At 30 June 2010, if prevailing market interest rates had moved by +/- 1% (100 basis points) per annum from year end rates, the effect on the Group's post-tax profit and equity, assuming all other variables remain constant, would have been as illustrated below:

	Profit		**Equity (hedging reserve)**	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
2010				
Variable rate instruments	(1)	1	–	–
Interest rate swaps	140	(140)	155	(158)
	139	(139)	155	(158)
2009				
Variable rate instruments	(382)	382	–	–
Interest rate swaps	346	(346)	490	(504)
	(36)	36	490	(504)

The movement in profit is due to higher/lower interest costs from variable rate debt, net interest rate swaps, and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges, net of tax. The sensitivity is higher in 2009 than in 2010 due to higher borrowings levels at 30 June 2009.

NOTE 29 – FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISK (CONTINUED)

FOREIGN EXCHANGE RISK

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

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

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

	30 June 2010				30 June 2009			
	EUR $'000	NZD $'000	USD $'000	GBP $'000	EUR $'000	NZD $'000	USD $'000	GBP $'000
Cash and cash equivalents	317	722	8,774	33	51	306	159	120
Trade receivables	–	355	–	–	–	166	–	–
Secured bank loans	–	(40,624)	–	–	–	(16,093)	–	–
Trade payables	–	(626)	–	–	–	(66)	–	–
Gross balance sheet exposure	317	(40,173)	8,774	33	51	(15,687)	159	120
Interest rate swaps	–	(331)	–	–	–	(638)	–	–
Forward exchange contracts	–	–	(51)	–	–	–	(78)	–
	–	(331)	(51)	–	–	(638)	(78)	–
Net exposure	317	(40,504)	8,723	33	51	(16,325)	81	120

SENSITIVITY ANALYSIS

A 10% strengthening/weakening of the Australian dollar against the following currencies at 30 June would have (decreased)/increased Group equity and profit (pre-tax) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity $'000	Profit or loss $'000
2010		
AUD/USD +10%	(767)	(26)
AUD/USD -10%	938	31
AUD/NZD +10%	3,723	(35)
AUD/NZD -10%	(4,551)	57
AUD/EUR +10%	–	(29)
AUD/EUR -10%	–	35
AUD/GBP +10%	–	(3)
AUD/GBP -10%	–	4
2009		
AUD/USD +10%	7	(14)
AUD/USD -10%	(8)	18
AUD/NZD +10%	1,521	(37)
AUD/NZD -10%	(1,859)	45
AUD/EUR +10%	–	(5)
AUD/EUR -10%	–	5
AUD/GBP+10%	–	(12)
AUD/GBP -10%	–	12

HEDGING OF NET INVESTMENT IN FOREIGN SUBSIDIARIES

The Group's NZD denominated bank loan is designated as a hedge of the Group's investment in its subsidiaries in New Zealand. The carrying amount of the loan at 30 June 2010 was $40,624,000 (2009: $16,093,000). A foreign exchange loss of $1,175,000 (2009: loss of $42,000) was recognised in equity on translation of the loan to AUD.

The majority of the movement in the AUD/NZD sensitivity analysis in the table above is attributed to movements in the holding value of this NZD bank loan (and associated interest rate swaps). This movement would have an opposite movement in the AUD holding value of the underlying hedged investment in New Zealand.

NOTE 29 – FINANCIAL RISK MANAGEMENT (CONTINUED)

FAIR VALUES

The fair values of financial assets and liabilities together with their carrying amounts shown in the Statement of Financial Position are as follows:

	Note	Carrying amount 2010 $'000	Fair value 2010 $'000	Carrying amount 2009 $'000	Fair value 2009 $'000
Cash and cash equivalents	10	45,288	45,288	23,227	23,227
Trade and other receivables	11	50,612	50,612	38,556	38,556
Present value of loans provided under the employee share plan	11	269	269	330	330
Other financial assets	14	312	312	312	312
Available-for-sale financial assets	15	10,447	10,447	9,362	9,362
Security deposits – operating leases	20	4,034	4,034	5,062	5,062
Bank loans	22	(40,134)	(40,624)	(67,055)	(67,793)
Finance lease liabilities	22	(3,934)	(3,934)	(9,827)	(9,827)
Loans from associates	22	(916)	(916)	(901)	(901)
Loans from other companies	22	(1,638)	(1,638)	(2,183)	(2,183)
Payables	21	(74,037)	(74,037)	(77,318)	(77,318)
Interest rate swaps	25	(763)	(763)	(1,983)	(1,983)
Forward exchange contracts:	25	(51)	(51)	(78)	(78)
		(10,511)	(11,001)	(82,496)	(83,234)

ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table above:

QUOTED INVESTMENTS

Fair value is determined by reference to the securities exchange quoted market prices at close of business on 30 June, without any deduction for transaction costs.

DERIVATIVES

Bank mark-to-market valuations have been used to determine the fair value of interest rate swaps and forward exchange contracts. These have been back tested against valuations generated by the Group's treasury system pricing module, using market quoted data as at 30 June. The system uses discounted cash flow techniques to value financial instruments.

INTEREST BEARING LOANS AND BORROWINGS

Fair value is calculated based on discounted expected future principal and interest cash flows.

FINANCE LEASE LIABILITIES

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for similar lease arrangements. The estimated fair value reflects the assessed current interest rate for a similar lease where this rate has been determined to be different from the rate charged.

TRADE AND OTHER RECEIVABLES/PAYABLES

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value where an appropriate rate of interest is not received/charged in respect of the amount.

INTEREST RATES USED FOR DETERMINING FAIR VALUE

The Group uses a bank quoted interest rate swap curve as at 30 June plus assessed risk factors/credit spread to discount financial instruments.

NOTE 29 – FINANCIAL RISK MANAGEMENT (CONTINUED)

FINANCIAL INSTRUMENTS FAIR VALUE DETERMINATION METHOD GRADINGS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 JUNE 2010				
Available-for-sale financial assets	10,447	–	–	10,447
Derivative financial liabilities	–	(814)	–	(814)
	10,447	(814)	–	9,633
30 JUNE 2009				
Available-for-sale financial assets	9,362	–	–	9,362
Derivative financial liabilities	–	(2,061)	–	(2,061)
	9,362	(2,061)	–	7,301

CAPITAL MANAGEMENT

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

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

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

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

	Note	2010 $'000	2009 $'000

NOTE 30 – EMPLOYEE BENEFITS

EMPLOYEE BENEFITS

	Note	2010 $'000	2009 $'000
AGGREGATE LIABILITY FOR EMPLOYEE BENEFITS INCLUDING ON-COSTS:			
CURRENT			
Employee benefits provision	24	13,566	11,932
NON-CURRENT			
Employee benefits provision	24	2,085	2,019
		15,651	13,951

MANAGEMENT SHARE OPTION PLAN

There were no options granted during the year to 30 June 2010 or the previous financial year.

There are no unissued ordinary shares of the Company under option at 30 June 2010.

There were no options exercised to acquire ordinary shares during the year to 30 June 2010.

During the prior year to 30 June 2009, employees exercised options to acquire 733,500 fully paid ordinary shares at a weighted average exercise price of $3.47.

Set out below are summaries of options exercised or expired during the prior year to 30 June 2009:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Exercised	Expired	Balance at the end of the year	Exercisable at the end of the year
			Number	Number	Number	Number	Number
11 December 2003	30 September 2008	$3.35	463,500	(453,500)	(10,000)	–	–
17 June 2004	30 September 2008	$3.14	30,000	(30,000)	–	–	–
16 September 2004	30 September 2008	$3.72	250,000	(250,000)	–	–	–
Total			743,500	(733,500)	(10,000)	–	–
Weighted average exercise price			$3.47	$3.47	$3.35	–	–

EXECUTIVE PERFORMANCE SHARE PLAN

The establishment of the Executive Performance Share Plan was approved by shareholders at the 2006 Annual General meeting. Employees receiving awards under the Executive Performance Share Plan are those of a senior level and above (including the Managing Director).

An employee awarded performance shares is not legally entitled to shares in the Company before the performance shares allocated under the plan vest. However, the employee can vote and receive dividends in respect of shares allocated to them. Once the shares have vested, they remain in the trust (refer Note 1(s)(i)) until the earliest of the employee leaving the Group, the tenth anniversary of the date the performance shares were awarded or the Board approving an application for their release. Award, vesting and exercise under the plan are made for no consideration.

The performance period is three years.

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

Type of right	Grant date	Balance at start of year	Granted	Exercised	Balance at end of year
		Number	Number	Number	Number
2010					
Performance shares	28 June 2010	–	570,193	–	570,193
Performance shares	23 February 2009	526,597	–	(1,546)	525,051
Performance shares	18 February 2008	357,351	–	–	357,351
Performance shares	19 February 2007	330,018	–	(40,833)	289,185
		1,213,966	570,193	(42,379)	1,741,780
2009					
Performance shares	23 February 2009	–	526,597	–	526,597
Performance shares	18 February 2008	473,182	–	(115,831)	357,351
Performance shares	19 February 2007	345,422	–	(15,404)	330,018
		818,604	526,597	(131,235)	1,213,966

NOTE 30 – EMPLOYEE BENEFITS (CONTINUED)

During the year to 30 June 2010, 570,193 performance shares were granted to employees under the plan and 330,018 shares, relating to the 2007 plan issue, vested with employees. Of these shares that vested, 40,833 were exercised and withdrawn from the trust.

During the year, 1,546 performance shares were released from performance hurdle requirements and transferred to a participant on an unrestricted basis. The Board approved transfer was part of the negotiated settlement on termination of the employment of the employee participant.

During the prior financial year to 30 June 2009, 131,235 performance shares were released from performance hurdle requirements and transferred to certain participants on an unrestricted basis. The Board approved transfer was part of the negotiated settlement on termination of the employment of eight employee participants.

Other than as disclosed above, none of the performance shares awarded under the plan vested or became exercisable during the year.

FAIR VALUE OF PERFORMANCE SHARES GRANTED

The assessed fair value at grant date of performance shares granted under the Executive Performance Share Plan during the year ended 30 June 2010 was $5.78 (2009 issue: $4.34) for those shares that have earning per share hurdles and $4.72 (2009 issue: $3.80) for those shares that have total shareholder return hurdles. The fair value of each performance share is estimated on the date of grant using a Monte Carlo model with the following weighted average assumptions used for each grant:

	Granted 28 June 2010	Granted 23 Feb 2009	Granted 18 Feb 2008
Dividend yield (per annum)	6.60%	6.90%	5.48%
Expected volatility	33%	38%	30%
Risk-free rate (per annum)	4.50%	3.10%	6.89%
Expected life of incentive	3 years	3 years	3 years

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

TAX EXEMPT SHARE PLAN

All Australian resident permanent employees (excluding directors) are eligible to participate in the Tax Exempt Share Plan. The Tax Exempt Share Plan enables participating employees to make salary sacrifice contributions to purchase shares on-market on a monthly basis. The shares in the Tax Exempt Share Plan are restricted from being traded and must be held for a minimum of three years whilst the participant remains an employee of the Group. Trading restrictions are lifted on the cessation of employment.

Offers under the Tax Exempt Share Plan are at the discretion of the Company. All shares acquired under the Tax Exempt Share Plan rank equally with all other ordinary shares.

The Tax Exempt Share Plan was suspended during the year and was reactivated in June 2010. There were no shares purchased during the year by employees under the Tax Exempt Share Plan (2009: 5,655 shares).

EMPLOYEE SHARE PLAN

At 30 June 2010, the total shares issued under the plan was 174,620 (2009: 176,520). There were no shares issued during the year. The plan is closed to new members and no offers have been made under the plan since 1998.

The market value of ordinary shares at 30 June 2010 was $5.70 (2009: $4.30).

Note 26 provides details of the movement in the ordinary share capital during the year.

SUPERANNUATION

Group entities contribute to several defined contribution superannuation plans – refer also Note 1(r). The superannuation contributions recognised as an expense in the Income Statement are detailed below:

	2010 $'000	2009 $'000
Superannuation contributions recognised as an expense	7,264	6,627

	2010 $'000	2009 $'000
NOTE 31 – COMMITMENTS AND LEASES		
CAPITAL EXPENDITURE COMMITMENTS		
Contracted but not provided for and payable:		
Within one year	4,783	23,594
OPERATING LEASE COMMITMENTS – AS LESSEE		
Future minimum operating lease rentals not provided for and payable:		
Within one year	93,695	99,234
Later than one year but not later than five years	329,127	345,868
Later than five years	378,383	435,664
	801,205	880,766

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.

A small number of leases have commitments in respect of contingent rental payments which arise when the operating performance of a site exceeds a pre-determined amount. Also, there are rentals which are determined as the higher of a base rental and a fixed percentage of a defined amount reflecting the operating performance of a site or a base rental plus a fixed percentage of the net profit from the site. Contingent rental payments recognised as an expense in the period for the Group amounted to $5,125,000 (2009: $2,482,000).

	2010 $'000	2009 $'000
SUB-LEASE RECEIVABLES – AS LESSOR		
Future lease receivables in relation to sub-leases of property space under operating leases not recognised and receivable:		
Within one year	8,918	9,482
Later than one year but not later than five years	29,951	32,816
Later than five years	243,572	252,543
	282,441	294,841
OPERATING LEASES – AS LESSOR		
Future operating lease rentals for owned properties not recognised and receivable:		
Within one year	10,692	8,073
Later than one year but not later than five years	31,079	27,768
Later than five years	52,340	57,588
	94,111	93,429

The Group receives rental income from a number of properties, both owned and leased. With exception to 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 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 sub-leases for shops. Long term accommodation sub-leases are typically for periods mirroring the head lease, which was renewed for a further 50 year period on 29 June 2007.

NOTE 31 – COMMITMENTS AND LEASES (CONTINUED)

	Note	2010 $'000	2009 $'000
FINANCE LEASE COMMITMENTS – AS LESSEE			
Finance lease rentals are payable as follows:			
Within one year		4,001	5,290
Later than one year but not later than five years		–	4,876
		4,001	10,166
Less: Future lease finance charges		(67)	(339)
		3,934	9,827
The present value of lease payments is as follows:			
Within one year		3,934	4,902
Later than one year but not later than five years		–	4,925
		3,934	9,827
Finance lease liabilities provided for in the accounts:			
Current	22	3,934	4,902
Non-current	22	–	4,925
Total finance lease liabilities		3,934	9,827

Of the above lease, $3,934,000 (2009: $9,827,000) is in respect of land and buildings. The initial lease term concludes in June 2011, at which time the controlled entity has an option to purchase the property at no additional cost. If the option was not exercised, a nominal value would be recovered over time in respect of the property.

FINANCE LEASE COMMITMENTS – AS LESSOR

The Group does not have finance lease or hire purchase arrangements in place where they act as a lessor.

NOTE 32 – CONTINGENT ASSETS AND LIABILITIES

Details of contingent liabilities and contingent assets which, although considered remote, the directors consider should be disclosed, are as follows:

	2010 $'000	2009 $'000
CONTINGENT LIABILITIES		
JOINTLY CONTROLLED ENTITIES		
Certain subsidiaries have obligations in respect of the lease commitments for jointly controlled entities. Operating lease commitments of jointly controlled entities not included in the Group's financial statements, for which a controlled entity has obligations, are due:		
Not later than one year	38,940	39,052
Later than one year but not later than five years	134,658	142,166
Later than five years	161,297	192,878
	334,895	374,096

CLAIM AGAINST GROUP ENTITY FOR ADDITIONAL CHARGES

A Group entity has received a claim for the payment of additional charges covering the last five years, the basis of which is disputed by the Group entity. It is estimated that the Group's maximum liability under this claim is $510,000, plus interest and legal costs. No provision has been established against this amount as it is currently not considered that the success of this claim is probable.

CLAIMS FOR PERSONAL INJURY

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

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

CLAIMS RESOLVED

In the Group's financial report for the year ended 30 June 2009, it was noted that a Group entity had received a claim, resulting from a dispute over contract terms, seeking recovery of past payments made totalling $4,141,000 plus interest and legal costs. No provision was recorded for this claim at 30 June 2009. This claim was settled in the financial year to 30 June 2010, with no refund of past payments required.

CONTINGENT ASSETS

TAXATION – OVERSEAS CONTROLLED ENTITIES

A contingent asset exists at 30 June 2010 in the range of $10,317,000 to $12,896,000 (2009: $11,824,000) relating to disputed value-added tax provided for or paid by certain overseas controlled entities on a number of products sold during the period since 1 January 2005.

NOTE 33 – DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' reports.

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

The subsidiaries subject to the deed are:

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

A consolidated Income Statement and consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the deed, at 30 June 2010 are set out as follows:

	2010 $'000	2009 $'000
INCOME STATEMENT		
Profit before tax	112,482	77,826
Income tax expense	(28,909)	(20,846)
Profit after income tax but before discontinued operations	83,573	56,980
Profit after tax from discontinued operations	–	3,855
Profit after income tax and discontinued operations	83,573	60,835
Retained earnings at the beginning of the year	476,332	454,337
Transfer from reserves	–	58
Dividends paid	(49,290)	(38,898)
Retained earnings at the end of the year	510,615	476,332

NOTE 33 – DEED OF CROSS GUARANTEE (CONTINUED)

STATEMENT OF FINANCIAL POSITION

	2010 $'000	2009 $'000
ASSETS		
Cash and cash equivalents	25,667	14,175
Receivables	34,676	26,638
Inventories	15,162	11,273
Other	3,781	506
Total current assets	79,286	52,592
Receivables	405	516
Loans to controlled entities	127,572	52,252
Investments in controlled entities	96,712	73,960
Other financial assets	310	310
Available-for-sale financial assets	10,447	9,362
Investments accounted for using the equity method	99,417	98,501
Property, plant and equipment	403,177	424,378
Investment properties	78,875	29,600
Goodwill and other intangible assets	19,216	9,606
Deferred tax assets	3,649	8,467
Other	3,530	4,196
Total non-current assets	843,310	711,148
Total assets	922,596	763,740
LIABILITIES		
Payables	35,119	33,627
Current tax liabilities	10,359	10,533
Provisions	11,674	10,972
Deferred revenue	30,471	26,184
Other	7,275	8,473
Total current liabilities	94,898	89,789
Payables	2	2
Loans from controlled entities	29,669	7,991
Interest bearing liabilities and borrowings	40,993	67,214
Provisions	2,821	2,854
Deferred revenue	2,937	2,503
Other	197	797
Total non-current liabilities	76,619	81,361
Total liabilities	171,517	171,150
Net assets	751,079	592,590
EQUITY		
Share capital	219,126	101,353
Reserves	21,338	14,905
Retained earnings	510,615	476,332
Total equity	751,079	592,590

NOTE 34 – BUSINESS COMBINATIONS

CINEMA BUSINESS IN NEW ZEALAND AND FIJI

On 18 February 2010, a wholly owned subsidiary completed the transaction to purchase the SKYCITY cinema business based in New Zealand and Fiji.

The purchase price was NZD$61,100,000 (AUD$47,817,000) before a recovery of NZD$5,009,000 (AUD$3,920,000) for the working capital balances as at the acquisition date. The business includes 14 cinemas with 106 screens located throughout New Zealand, a 50% interest in Rialto Cinemas in New Zealand (three cinemas with 16 screens) and a 66.67% interest in SKYCITY Cinemas Fiji (two cinemas with 10 screens). All cinema properties in New Zealand are leasehold, whereas the sites in Fiji are owned. The acquisition of this business is considered an appropriate strategic addition to the Group's existing cinema businesses.

The wholly owned New Zealand based business has subsequently been renamed Event Cinemas.

Since the date of acquisition to 30 June 2010, the New Zealand cinema business, including our interest in the Rialto Cinemas and Fiji Cinemas, has contributed revenue of $21,970,000 and a profit before tax of $694,000. If this business had been acquired on 1 July 2009, management estimates that revenue contributed would have been $76,000,000 and the profit before tax contributed for the period would have been $6,100,000.

In determining the above estimated profit amount for the period from 1 July 2009, management has taken into account the impact of the fair value adjustments made at acquisition as if they had occurred on 1 July 2009.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

	Fair value at acquisition date $'000
Plant, equipment and leasehold improvements	38,989
Film library and software	152
Deferred tax assets	4,889
Deferred tax liabilities	(172)
Employee entitlements	(789)
Deferred lease costs	(5,790)
Deferred revenue	(1,479)
Provision for decommissioning of leasehold improvements	(1,096)
Provision for onerous contracts	(2,163)
Inventory, cash and prepayments	1,271
Trade and other receivables	614
Other liabilities	(3,389)
Interest in Rialto Cinema business	2,498
Interest in Fiji Cinema business	4,468
Total net value of identifiable assets and liabilities	38,003

The above fair values of identifiable assets and liabilities have been determined based upon the best information available as of the reporting date.

The fair values of the Group's non-controlling interest in the Rialto Cinema business in New Zealand and the Cinema business in Fiji have been determined as the present value of the estimated future cash flows. Pre-tax discount rates of 12.4% and 14.4% were used in determining the fair values.

GOODWILL

Goodwill was recognised as a result of the acquisition as follows:

	$'000
Total cash consideration paid	47,817
Less: Recovery for net working capital balances	3,920
	43,897
Less: Value of identifiable assets and liabilities	38,003
Goodwill	5,894

Goodwill is attributable mainly to the established market position of cinema sites within the cinema business in New Zealand and synergies expected to be achieved through combining this business with the Group's existing cinema businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

NOTE 34 – BUSINESS COMBINATIONS (CONTINUED)

CINEMA ACQUISITIONS – AUSTRALIA

On 14 October 2009, a wholly owned subsidiary expanded its existing cinema operations by acquiring the Beverly Hills and Cronulla cinema complexes in south-western and southern Sydney.

Effective 26 December 2009, a wholly owned subsidiary acquired the remaining 50% interest in the Glendale Cinema not already owned by the Group. Glendale is in the western suburbs of Newcastle.

On 17 June 2010, a wholly owned subsidiary acquired the leasehold interest in a cinema site in Noosa, Queensland.

Consideration paid for these sites including the additional 50% interest in the Glendale site totalled $17,892,000 and consisted of cinema assets and liabilities and leasehold rights to the properties.

Since the dates of acquisition to 30 June 2010, these cinema sites, including the additional 50% interest in the Glendale site, have contributed revenue of $11,431,000 and profit of $2,125,000. If these sites had been acquired or 100% owned on 1 July 2009, management estimate that revenue contributed from these sites would have been $21,650,000 and the profit contributed for the period would have been $3,770,000.

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

The Group has provisionally recognised the fair value of the following identifiable assets and liabilities relating to these acquisitions:

	Fair value at acquisition date $'000
Plant, equipment and leasehold improvements	5,363
Other assets	144
Deferred tax assets	8
Employee entitlements	(211)
Deferred revenue	(106)
Total net value of identifiable assets and liabilities	5,198

The above fair values of identifiable assets and liabilities have been determined based upon the best information available as of the reporting date.

LEASEHOLD AND MANAGEMENT RIGHTS

Leasehold and management rights recognised as an intangible asset in the Statement of Financial Position during the financial year to 30 June 2010 as a result of these acquisitions, was determined as follows:

	$'000
Total cash consideration paid	17,892
Carrying value of 50% interest in Glendale Cinema already owned	1,220
Subtotal	19,112
Less: Value of identifiable assets and liabilities	5,198
Leasehold and management rights recognised	13,914

Leasehold and management rights are attributable to the existing goodwill arising from the market position of each site in their admissions catchment area and, for the Beverly Hills, Cronulla and Noosa cinemas, the management synergies expected to be achieved from integration of these sites with the Group's existing cinema operations systems. This asset will be amortised over the term of the lease for each of the sites, which range from 16 to 20 years. Leasehold and management rights recognised are not deductible for income tax purposes.

ACQUISITION RELATED COSTS INCURRED

The Group incurred acquisition related costs of $979,000 in respect of the above acquisitions during the financial year to 30 June 2010, which related largely to legal fees and due diligence costs. These costs have been expensed within the Cinema Exhibition - Australia segment during the period and have been included in the Group's Income Statement.

NOTE 35 – PARTICULARS IN RELATION TO CONSOLIDATED ENTITIES

	Note	Ownership interest 2010 %	Ownership interest 2009 %
COMPANY (PARENT ENTITY)			
Amalgamated Holdings Limited			
SUBSIDIARIES			
AHL Administration Pty Limited		100	100
Amalgamated Cinema Holdings Limited	(a)(d)	100	–
Amalgamated Holdings Superannuation Fund Pty Limited		100	100
Ancona Investments Pty Limited		100	100
Birch, Carroll & Coyle Limited		100	100
BLN Hotels Property Unit Trust		100	100
Bryson Centre Unit Trust		100	100
Bryson Hotel Property Unit Trust		100	100
Bryson Hotel Pty Limited		100	100
Canberra Theatres Limited		100	100
Cinema Facility Management GmbH	(a)(f)(i)	–	51
CMS Cinema Management Services GmbH	(a)(f)	100	100
CMS Cinema Verwaltungs GmbH	(a)(f)	100	–
Digital Cinema Integration Partners Pty Limited		100	100
Edge Digital Technology Pty Limited		100	100
Edge Investments BV	(a)(e)	100	100
Elsternwick Properties Pty Limited		100	100
Event Cinemas (Fiji) Limited	(h)	100	–
Event Cinemas Limited	(a)(d)	100	–
Event Cinemas New Plymouth Limited	(a)(d)	100	–
Event Cinemas Nominees Limited	(a)(d)	100	–
Event Cinemas (NZ) Limited	(a)(d)	100	–
Event Cinemas Queen Street Nominees Limited	(a)(d)	100	–
Event Distribution Limited	(a)(d)	100	–
Featherdale Farm & Aviaries Pty Limited		100	100
Featherdale Holdings Pty Limited		100	100
Filmlab Engineering Pty Limited		100	100
Filmpalast am ZKM Karlsruhe Beteiligungs GmbH	(a)(f)	100	100
Filmpalast Konstanz Beteiligungs GmbH	(a)(f)	100	100
Glenelg Theatres Pty Limited		100	100
Greater Entertainment Pty Limited		100	100
Greater Occasions Australia Pty Limited		100	100
Greater Union Betriebsmittel GmbH	(a)(f)	100	100
Greater Union Filmpalast Dortmund GmbH & Co. KG	(a)(f)	100	100
Greater Union Filmpalast GmbH	(a)(f)	100	100
Greater Union Filmpalast Rhein-Main GmbH	(a)(f)	100	100
Greater Union Holdings Limited	(b)	100	100
Greater Union International BV	(a)(e)	100	100
Greater Union International GmbH	(f)	100	100

	Note	Ownership interest 2010 %	Ownership interest 2009 %
Greater Union International Holdings Pty Limited		100	100
Greater Union Limited	(c)	100	100
Greater Union Nominees Pty Limited		100	100
Greater Union Screen Entertainment Pty Limited		100	100
Greater Union Theaters Dritte GmbH & Co. KG	(a)(f)	100	100
Greater Union Theaters Dritte Verwaltungs GmbH	(a)(f)	100	100
Greater Union Theaters GmbH	(a)(f)	100	100
Greater Union Theaters Mainz GmbH & Co. KG	(a)(f)	100	100
Greater Union Theaters Management Mainz GmbH	(a)(f)	100	100
Greater Union Theaters Verwaltungs GmbH	(a)(f)	100	100
Greater Union Theaters Zweite GmbH & Co. KG	(a)(f)	100	100
Greater Union Theaters Zweite Verwaltungs GmbH	(a)(f)	100	100
Greattheatre Pty Limited		100	100
GUO Investments (WA) Pty Limited		100	100
Gutace Holdings Pty Limited		100	100
Haparanda Pty Limited		100	100
Haymarket's Tivoli Theatres Pty Limited		100	100
Kidsports Australia Pty Limited		100	100
Kosciuszko Thredbo Pty Limited		100	100
KTPL Unit Trust		100	100
Kvarken Pty Limited		100	100
Lakeside Hotel Property Unit Trust		100	100
Lakeside Hotel Pty Limited		100	100
Lakeside International Hotel Unit Trust		100	100
Mamasa Pty Limited		100	100
Multiplex Cinemas Magdeburg GmbH	(a)(f)	100	100
Multiplex Cinemas Oberhausen GmbH	(a)(f)	100	100
Neue Filmpalast Erste GmbH & Co. KG	(a)(f)	100	100
Neue Filmpalast Erste Verwaltungs GmbH	(a)(f)	100	100
Neue Filmpalast GmbH & Co. KG	(a)(f)	100	100
Neue Filmpalast Management GmbH	(a)(f)	100	100
Noahs Hotels (NZ) Limited	(a)(d)	100	100
Noahs Limited		100	100
Northside Gardens Hotel Property Unit Trust		100	100
Northside Gardens Hotel Pty Limited		100	100
Pantami Pty Limited		100	100
QT Hotels and Resorts Pty Limited		100	–
Red Carpet Event GmbH	(a)(f)	100	100
RH Hotels Pty Limited		100	–
RQ Motels Pty Limited		100	100
Rydges Bankstown Pty Limited		100	100

NOTE 35 – PARTICULARS IN RELATION TO CONSOLIDATED ENTITIES (CONTINUED)

	Note	Ownership interest 2010 %	2009 %
Rydges Cronulla Pty Limited		100	100
Rydges GCI Pty Limited		100	100
Rydges Gladstone Hotel Property Unit Trust		100	–
Rydges Hobart Hotel Property Unit Trust		100	100
Rydges Hobart Hotel Pty Limited		100	100
Rydges Hotels Limited		100	100
Rydges Hotels Property Unit Trust		100	–
Rydges Hotels Resorts Asia Pte Limited	(g)	100	100
Rydges HPT Pty Limited		100	–
Rydges Property Holdings Pty Limited		100	–
Rydges Queenstown Hotel Limited	(a)(d)	100	100
Rydges Townsville Hotel Property Unit Trust		100	–
Sabaya Port Douglas Pty Limited		100	100
Sonata Hotels Pty Limited		100	100
Sunshine Cinemas Pty Limited		100	–
Tannahill Pty Limited		100	100
The Geelong Theatre Company Limited		100	100
The Greater Union Organisation Pty Limited		100	100
Thredbo Resort Centre Pty Limited		100	100
Tobeon Pty Limited		100	100
Tourism & Leisure Pty Limited		100	100
Turmpalast Frankfurt GmbH & Co. KG	(a)(f)	100	100
Turmpalast Frankfurt Management GmbH	(a)(f)	100	100
Vierte Kinoabspielstatten GmbH & Co. KG	(a)(f)	100	100
Vierte Kinoabspielstatten Verwaltungs GmbH	(a)(f)	100	100
Western Australia Cinemas Pty Limited		100	100
Zollverein Pty Limited		100	100
Zweite Kinoabspielstatten GmbH & Co. KG	(a)(f)	100	100
Zweite Kinoabspielstatten Verwaltungs GmbH	(a)(f)	100	100

(a) These companies are audited by other member firms of KPMG International.
(b) This company was incorporated and is domiciled in Jersey.
(c) This company was incorporated in and carries on business in the United Kingdom.
(d) These companies were incorporated in and carry on business in New Zealand.
(e) These companies were incorporated in and carry on business in The Netherlands.
(f) These companies were incorporated in and carry on business in Germany.
(g) This company was incorporated and is domiciled in Singapore.
(h) This company was incorporated and is domiciled in Fiji.
(i) This company was placed into liquidation during the year.

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

NOTE 36 – INVESTMENTS IN ASSOCIATES

Details of the Group's investments in associates are as follows:

		Interest		Investment carrying amount		Contribution to operating profit/(loss)	
Name	Principal activities	2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cinesound Movietone Productions Pty Limited	Film owner and distributor	50	50	167	154	13	7
MAF Greater Union LLC	Film exhibitor	49	49	13,202	14,212	9,005	11,085
Rydges Rotorua Hotel Limited	Hotel owner	25	25	1,668	1,938	(215)[d]	104
				15,037	16,304	8,803	11,196

(a) Dividends received from associates for the year ended 30 June 2010 amount to $7,831,000 (2009: $10,160,000).
(b) Cinesound Movietone Productions Pty Limited was incorporated in Australia. MAF Greater Union LLC was incorporated in the United Arab Emirates. Rydges Rotorua Hotel Limited was incorporated in New Zealand.
(c) The balance date of all associates is 30 June, with the exception of MAF Greater Union LLC which has a balance date of 31 December.
(d) Share of loss for the year ended 30 June 2010 includes the negative impact, amounting to $294,000, arising from the restatement of deferred tax balances due to the reduction of the company tax rate and elimination of building depreciation for tax in New Zealand.

	2010 $'000	2009 $'000
NOTE 36 – INVESTMENTS IN ASSOCIATES (CONTINUED)		
SUMMARISED FINANCIAL INFORMATION RELATING TO ASSOCIATES		
Aggregate assets, liabilities, revenues and net profit of associates, not adjusted for the percentage ownership held by the Group, is as follows:		
Revenues – as reported by associates	62,633	71,154
Net profit – as reported by associates	17,603	23,046
Current assets	24,816	27,905
Non-current assets	33,162	24,286
Total assets – as reported by associates	57,978	52,191
Current liabilities	10,388	4,960
Non-current liabilities	5,240	4,853
Total liabilities – as reported by associates	15,628	9,813
Net assets – as reported by associates	42,350	42,378
Group's share of net assets of associates	19,161	18,911
Adjustments arising from equity accounting:		
Foreign exchange translation	(4,124)	(2,607)
Carrying value of investments in associates	15,037	16,304
Movements in carrying amount of associates:		
Carrying amount of associates at the beginning of the year	16,304	14,700
Foreign currency translation movements	(2,239)	2,154
Share of associates' net profit	8,803	11,196
Distributions received from associates	(7,831)	(10,160)
Disposal of associate	–	(1,586)
Carrying amount of associates at the end of the year	15,037	16,304
COMMITMENTS		
Share of associates' capital expenditure commitments contracted but not provided for or payable:		
Not later than one year	1,661	–
Share of associates' operating lease commitments contracted but not provided for or payable:		
Not later than one year	3,438	2,802
Later than one year but not later than five years	8,994	6,901
Later than five years	4,420	1,027
	16,852	10,730

CONTINGENT LIABILITIES

There are no contingent liabilities within associate entities as at 30 June 2010 (2009: $Nil).

NOTE 37 – INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

			Profit share		Investment carrying amount		Share of sales revenue		Contribution to operating profit	
Name	Principal activities	Nature of interest	2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australian Theatres Joint Venture	Operator of multiscreen cinema complexes	Share of joint venture assets	50	50	85,553	83,451	172,971	155,808	31,277 (e)	23,189
Browns Plains Multiplex Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	33	33	278	226	1,454	1,417	103	83
Castle Hill Multiplex Cinema Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	33	33	4,464	4,180	6,498	4,694	635	357
Casuarina Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	50	50	3,553	4,254	13,036	11,790	2,949	2,494
Fiji Cinema Joint Venture	Operator of multiscreen cinema complexes	Share of joint venture assets	(b)(d) 66.7	–	4,621	–	973	–	226	–
Filmpalast am ZKM Karlsruhe GmbH & Co. KG	Operator of a multiscreen cinema complex	Equity share	(a) 50	(a) 50	2,345	2,452	11,574	11,385	1,006 (f)	1,592
Filmpalast Konstanz GmbH & Co. KG	Operator of a multiscreen cinema complex	Equity share	(a) 50	(a) 50	507	647	3,581	3,608	513 (f)	628
Garden City Cinema Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	33	33	2,810	2,972	4,854	4,517	1,118	1,016
Geelong Cinema Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	(c) 50	(c) 50	(171)	(284)	4,337	3,737	609	342
Jam Factory Cinema Operations Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	50	50	501	870	8,176	7,869	135	149
Rialto Joint Venture	Operator of multiscreen cinema complexes	Share of joint venture assets	(b) 50	–	2,524	–	1,099	–	49	–
Southport 6 Cinemas Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	(d) 51	(d) 51	1,303	1,516	2,852	3,375	195	509
Toowoomba Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	50	50	959	1,162	4,470	3,979	897	634
					109,247	101,446	235,875	212,179	39,712	30,993

(a) Filmpalast an ZKM Karlsruhe GmbH & Co. KG and Filmpalast Konstanz GmbH & Co. KG were incorporated in Germany.
(b) Rialto Joint Venture operates in New Zealand and Fiji Cinema Joint Venture operates in Fiji.
(c) A write down in the value of this investment was made in prior years.
(d) The joint venture is not consolidated as the Group does not have control and the power to govern financial and operating policies.
(e) The profit for the Australian Theatres Joint Venture for the year ended 30 June 2010 includes the reversal of impairment write-downs of plant and equipment made in prior years, increasing the Group's share of the operating profit by $3,262,000.
(f) The profit for Filmpalast an ZKM Karlsruhe GmbH & Co. KG and Filmpalast Konstanz GmbH & Co. KG for the year ended 30 June 2010 include a correction to prior years' depreciation reducing the Group's share of the operating profit by $982,000 and $37,000 respectively.

NOTE 37 – INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

During the year, the cinema joint ventures purchased management and consulting services of $5,676,000 (2009: $5,554,000), capital equipment of $7,505,000 (2009: $2,078,000), block and artwork of $133,000 (2009: $135,000) and other services of $304,000 (2009: $541,000) from the Group. These transactions were on normal commercial terms.

	2010 $'000	2009 $'000
The Group's aggregate share of the jointly controlled entities' assets and liabilities consists of:		
Current assets	26,145	17,752
Non-current assets	82,237	76,445
Total assets	108,382	94,197
Current liabilities	29,623	18,667
Non-current liabilities	1,831	1,592
Total liabilities	31,454	20,259
Net assets	76,928	73,938
MOVEMENTS IN CARRYING AMOUNT OF JOINTLY CONTROLLED ENTITIES		
Carrying amount of jointly controlled at the beginning of the year	101,446	103,978
Net additional investments	98	196
Additions through entity acquired	6,966	–
Share of profit	39,712	30,993
Gross distributions	(37,526)	(33,780)
Disposal of interest on acquisition of remaining ownership	(1,233)	–
Foreign currency translation movements	(170)	135
Amortisation of capitalised interest	(33)	(33)
Other	(13)	(43)
Carrying amount of jointly controlled entities at the end of the year	109,247	101,446

Refer to Note 32 for details of contingent liabilities

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES

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

Section of Remuneration Report	**Directors' report page reference**
Non-executive director remuneration	24
Managing Director and executive remuneration	24
Fixed annual remuneration	24
Variable remuneration – short term incentive	25
Variable remuneration – long term incentive	26
Employment contracts	23
Directors' position and period of responsibility	23
Directors' and executives' remuneration	24

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

DIRECTORS

The following persons were directors of Amalgamated Holdings Limited during the financial year:

Name	Position	Period of responsibility
AG Rydge	Non-executive director and Chairman	1 July 2009 to 30 June 2010
AJ Clark	Non-executive director and lead independent director	1 July 2009 to 30 June 2010
KG Chapman	Non-executive director	18 February 2010 to 30 June 2010
PR Coates	Non-executive director	10 July 2009 to 30 June 2010
TC Ford	Non-executive director	1 July 2009 to 23 October 2009
RM Graham	Non-executive director	1 July 2009 to 30 June 2010
RG Newton	Non-executive director	1 July 2009 to 30 June 2010
DC Seargeant	Managing Director	1 July 2009 to 30 June 2010

OTHER KEY MANAGEMENT PERSONNEL

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position and employer	Period of responsibility
NC Arundel	Managing Director Rydges Hotels & Resorts Rydges Hotels Limited	1 July 2009 to 30 June 2010
PC Bourke	Director of Information Technology Amalgamated Holdings Limited	19 April 2010 to 30 June 2010
GC Dean	Company Secretary Amalgamated Holdings Limited	1 July 2009 to 30 June 2010
MR Duff	Director Commercial Amalgamated Holdings Limited	1 July 2009 to 30 June 2010
HR Eberstaller	Managing Director AHL Strategic Investments The Greater Union Organisation Pty Limited	1 July 2009 to 30 June 2010
PW Horton	Director Finance & Accounting Amalgamated Holdings Limited	1 July 2009 to 30 June 2010
KJ Kobishop	Corporate Director of Food and Beverage Amalgamated Holdings Limited	1 July 2009 to 30 June 2010

All of the above persons, with the exception of PC Bourke, who commenced employment with the Group on 19 April 2010, were also key management persons during the year ended 30 June 2009.

KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2010 $	2009 $
EMPLOYEE BENEFITS		
Short term	7,347,347	6,434,500
Other long term	97,562	318,920
Termination benefits	–	123,750
Post-employment	120,040	124,342
Equity compensation	899,336	836,565
	8,464,285	7,838,077

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

OPTION HOLDINGS AND TRANSACTIONS

There were no options over ordinary shares in Amalgamated Holdings Limited held directly, indirectly or beneficially, by each key management personnel, including their related parties. Movements in the number of options held by key management personnel in the prior year to 30 June 2009 is set out in the table below:

		Held at the beginning of the year	Granted	Exercised	Held at the end of the year	Vested and exercisable at 30 June
DIRECTOR						
DC Seargeant	2010	–	–	–	–	–
	2009	500,000	–	(500,000)	–	–
EXECUTIVES						
NC Arundel	2010	–	–	–	–	–
	2009	–	–	–	–	–
PC Bourke [(a)]	2010	–	–	–	–	–
	2009	–	–	–	–	–
GC Dean	2010	–	–	–	–	–
	2009	30,000	–	(30,000)	–	–
MR Duff	2010	–	–	–	–	–
	2009	–	–	–	–	–
HR Eberstaller	2010	–	–	–	–	–
	2009	–	–	–	–	–
PW Horton	2010	–	–	–	–	–
	2009	45,000	–	(45,000)	–	–
KJ Kobishop [(b)]	2010	–	–	–	–	–
	2009	–	–	–	–	–

(a) PC Bourke commenced employment with the Group on 19 April 2010.
(b) KJ Kobishop commenced employment with the Group on 15 September 2008.

There are no outstanding options at 30 June 2010 (2009: Nil). No options have been granted since the end of the year.

PERFORMANCE SHARE HOLDINGS AND TRANSACTIONS

The movement during the year in the number of performance shares in Amalgamated Holdings Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

		Held at the beginning of the year	Granted	Exercised	Forfeited	Held at the end of the year
DIRECTOR						
DC Seargeant	2010	340,000	240,000	–	–	580,000
	2009	200,000	140,000	–	–	340,000
EXECUTIVES						
NC Arundel	2010	44,202	18,987	(5,972)	–	57,217
	2009	20,711	23,491	–	–	44,202
PC Bourke [(a)]	2010	–	–	–	–	–
	2009	–	–	–	–	–
GC Dean	2010	31,124	11,889	–	–	43,013
	2009	16,333	14,791	–	–	31,124
MR Duff	2010	49,643	17,947	–	–	67,590
	2009	26,616	23,027	–	–	49,643
HR Eberstaller	2010	10,954	7,866	–	–	18,820
	2009	10,954	–	–	–	10,954
PW Horton	2010	48,485	15,822	–	–	64,307
	2009	26,386	22,099	–	–	48,485
KJ Kobishop [(b)]	2010	100,000	–	–	–	100,000
	2009	–	100,000	–	–	100,000

(a) PC Bourke commenced employment with the Group on 19 April 2010.
(b) KJ Kobishop commenced employment with the Group on 15 September 2008.

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

No performance shares have been granted since the end of the year. No performance shares were held by the related parties of key management personnel.

EQUITY HOLDINGS AND TRANSACTIONS

The movement during the year in the number of ordinary shares of Amalgamated Holding Limited held, directly, indirectly or beneficially, by key management personnel, including their related parties, is as follows:

		Held at the beginning of the year	Purchases	Renounceable Pro-rata Entitlement Offer	Dividend Reinvestment Plan	Received on exercise of options	Received on release of performance shares	Sales	Other [a]	Held at the end of the year
DIRECTORS										
AG Rydge (Chairman)	2010	57,979,154	50,000	11,789,923	1,783,278	–	–	–	–	71,602,355
	2009	57,704,154	275,000	–	–	–	–	–	–	57,979,154
AJ Clark	2010	50,000	5,000	10,000	–	–	–	–	–	65,000
	2009	40,000	10,000	–	–	–	–	–	–	50,000
KG Chapman [b]	2010	–	–	–	–	–	–	–	54,000	54,000
	2009	–	–	–	–	–	–	–	–	–
PR Coates [c]	2010	–	12,737	3,763	–	–	–	–	11,500	28,000
	2009	–	–	–	–	–	–	–	–	–
TC Ford [d]	2010	10,000	–	–	–	–	–	–	(10,000)	–
	2009	10,000	–	–	–	–	–	–	–	10,000
RM Graham	2010	10,626	–	2,126	–	–	–	–	–	12,752
	2009	10,626	–	–	–	–	–	–	–	10,626
RG Newton	2010	20,000	43,000	8,000	–	–	–	(5,000)	–	66,000
	2009	3,000	17,000	–	–	–	–	–	–	20,000
DC Seargeant	2010	720,500	–	265,125	33,865	–	–	–	–	1,019,490
(Managing Director)	2009	470,500	–	–	–	500,000	–	(250,000)	–	720,500
EXECUTIVES										
NC Arundel	2010	–	–	8,841	–	–	5,972	–	–	14,813
	2009	–	–	–	–	–	–	–	–	–
PC Bourke [e]	2010	–	–	–	–	–	–	–	–	–
	2009	–	–	–	–	–	–	–	–	–
GC Dean	2010	75,500	–	26,325	979	–	–	–	–	102,804
	2009	45,500	–	–	–	30,000	–	–	–	75,500
MR Duff	2010	30,000	–	20,806	–	–	–	–	–	50,806
	2009	30,000	–	–	–	–	–	–	–	30,000
HR Ebertstaller	2010	–	–	3,584	–	–	–	–	–	3,584
	2009	–	–	–	–	–	–	–	–	–
PW Horton	2010	45,000	–	18,697	–	–	–	–	–	63,697
	2009	45,000	–	–	–	45,000	–	(45,000)	–	45,000
KJ Kobishop [f]	2010	–	–	20,000	3,065	–	–	–	–	23,065
	2009	–	–	–	–	–	–	–	–	–

(a) This movement represents the balance of ordinary shares held at the relevant date, being the date of commencement with the Group or termination from the Group.
(b) KG Chapman was appointed on 18 February 2010.
(c) PR Coates was appointed on 10 July 2009.
(d) TC Ford resigned 23 October 2009.
(e) PC Bourke commenced employment with the Group on 19 April 2010.
(f) KJ Kobishop commenced employment with the Group on 15 September 2008.

No shares were granted to key management personnel during the financial reporting period as compensation in the year to 30 June 2010.

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

LOANS AND OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

There were no loans above $10,000 outstanding at any time during the year with any key management personnel or their related parties.

OTHER TRANSACTIONS WITH THE COMPANY OR ITS CONTROLLED ENTITIES

AG Rydge and AJ Clark are directors of Carlton Investments Limited. Carlton Investments Limited rents office space from a controlled entity. Rent is charged to Carlton Investments Limited at a market rate. Rent received during the year was $33,462 (2009: $33,020). The Company holds shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $427,524 (2009: $427,524).

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $78,834 (2009: $19,011). A company associated with RM Graham paid rent and levies to a controlled entity during the year amounting to $5,564 (2009: $5,432). Rent is charged to AG Rydge and RM Graham at market rates.

During the year, a controlled entity purchased land and buildings from a vendor company associated with RG Newton. The purchase was concluded in September 2009 and the consideration was $2,000,000.

During the prior financial year to 30 June 2009, a company associated with RG Newton paid hotel management fees to a controlled entity amounting to $178,563 and a controlled entity purchased management rights and an interest in the property known as Rydges Sabaya Resort from a vendor company associated with RG Newton. The purchase was concluded in June 2009 for a consideration of $20,550,000.

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

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

NOTE 39 – RELATED PARTIES

ASSOCIATES

Interest received and paid on the loans to and from associates is shown in Notes 3 and 4.

Other transactions were:

- sale of management services to former associate Atlab Holdings Pty Limited of nil (2009: $250,000);
- receipt of property rentals from associates of $41,000 (2009: $97,000); and
- share-based payment costs of nil (2009: $166,000) recharged to an associate.

RELATIONSHIPS WITH JOINTLY CONTROLLED ENTITIES

Refer to Notes 11, 16, 32, 34 and 37.

KEY MANAGEMENT PERSONNEL

Disclosures relating to directors and named executives are set out in Note 38.

NOTE 40 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2010 $'000	2009 $'000
Reconciliation of profit after related income tax expense to net cash provided by operating activities		
Profit after income tax expense	98,772	69,477
Adjustments for:		
Depreciation and carrying value adjustments	22,231	21,331
Amortisation and carrying value adjustments	11,416	9,301
Loss on sale of non-current assets	1,047	366
Development gain on revaluation of Canberra Civic property	(10,163)	–
Fair value (increment)/decrement of investment properties	(275)	1,030
Equity accounted investment distributions	45,357	43,744
Share of equity accounted investees' net profit	(48,515)	(42,189)
Asset impairment adjustments	10,339	5,811
Share-based payments expense	1,494	1,258
Receivables impairment adjustment	(1,291)	–
Unrealised foreign exchange gains	(105)	(89)
Increase/(decrease) in income taxes payable	3,567	(13,446)
Net cash provided by operating activities before change in assets and liabilities	133,874	96,594
Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired/disposed during the year:		
Increase in receivables	(7,749)	(4,783)
Increase in inventories	(4,480)	(1,738)
Increase in other assets	(702)	(2,585)
Increase in deferred revenue	10,406	4,631
Increase/(decrease) in deferred tax items	6,244	(6,718)
Increase in provisions	1,487	759
(Decrease)/increase in creditors and accruals	(1,320)	8,343
(Decrease)/increase in other liabilities	(1,265)	7,252
Increase in financing costs payable	91	236
Net cash provided by operating activities	136,586	101,991

NOTE 41 – EVENTS SUBSEQUENT TO REPORTING DATE

DIVIDENDS

For final dividends declared after 30 June 2010, refer Note 8.

PURCHASE OF MOONLIGHT CINEMA

On 28 July 2010, the Group announced the acquisition of the Moonlight Cinema business for a purchase price of $1,750,000.

Moonlight Cinema is an outdoor cinema operation with five sites screening films in Melbourne, Sydney, Perth, Brisbane and Adelaide during the three month summer season.

Directors' Declaration

1. In the opinion of the directors:
   (a) the consolidated financial statements and notes, set out on pages 29 to 90, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report set out on pages 20 to 27, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the Group subsidiaries identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.
3. The directors have received the declarations from the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2010.
4. The directors draw attention to Note 1(a) to the financial report, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

AG Rydge
Director

DC Seargeant
Director

Dated at Sydney this 19th day of August 2010.

Independent Auditor's Report

TO THE MEMBERS OF AMALGAMATED HOLDINGS LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Group comprising Amalgamated Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory Notes 1 to 41 and the directors' declaration.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Independent Auditor's Report

TO THE MEMBERS OF AMALGAMATED HOLDINGS LIMITED

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 20 to 27 of the Directors' Report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the Remuneration Report of Amalgamated Holdings Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

David Rogers
Partner

19 August 2010

Shareholder Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in the Annual Report is set out below:

SHAREHOLDINGS (AS AT 20 AUGUST 2010)

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Shareholder	Number of ordinary shares held
Enbeear Pty Limited	56,598,377 *
Carlton Investments Limited	56,588,377
Investors Mutual Limited	14,396,349
IOOF Holdings Limited	17,843,425

* Includes Carlton Investments Limited holding.

VOTING RIGHTS

ORDINARY SHARES

There were 5,669 holders of ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 54 of the Company's Constitution, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares:

(a) at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands, every person present who is a member or a representative of a member has one vote, and on a poll, every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each share he holds or represents as the case may be."

OPTIONS

There were no outstanding options of the Company as at 20 August 2010.

DISTRIBUTION OF SHAREHOLDERS

	Ordinary shares	
	Number of shareholders	Number of shares held
1 – 1,000	2,812	1,090,297
1,001 – 5,000	1,742	4,413,286
5,001 – 10,000	511	3,596,183
10,001 – 100,000	555	13,488,362
100,001 and over	49	136,608,771
	5,669	159,196,899

The number of shareholders holding less than a marketable parcel is 86.

UNQUOTED ORDINARY SHARES

There were 1,930,878 unquoted ordinary shares issued pursuant to the employee share plans. The shares were held by 615 holders. The unquoted ordinary shares have been included within the distribution of shareholders table above.

Shareholder Information continued

TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest shareholders of the quoted shares are:

	Number of shares held	Percentage of capital held
Enbeear Pty Limited	32,134,031	20.19
Eneber Investment Company Limited	19,777,772	12.42
National Nominees Limited	15,891,812	9.98
RBC Dexia Investor Services Australia Nominees Pty Limited (Bkcust Account)	11,199,863	7.04
J P Morgan Nominees Australia Limited	6,003,637	3.77
HSBC Custody Nominees (Australia) Limited	5,851,326	3.68
The Manly Hotels Pty Limited	5,732,812	3.60
Alphoeb Pty Limited	5,627,315	3.53
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled Account)	5,277,122	3.31
Carlton Hotel Limited	5,276,103	3.31
Citicorp Nominees Pty Limited	3,113,129	1.96
Mr Alan Graham Rydge	3,037,915	1.91
Cogent Nominees Pty Limited	2,347,058	1.47
Citicorp Nominees Pty Limited (CFSIL Cwlth Aust SHS 18 Account)	1,698,434	1.07
T N Phillips Investments Pty Ltd	1,446,000	0.91
Sandhurst Trustees Ltd (SISF Account)	1,263,433	0.79
Australian United Investment Company Limited	1,200,000	0.75
Citicorp Nominees Pty Limited (CFSIL Cwlth Aust SHS 14 Account)	1,020,267	0.64
Argo Investments Limited	976,723	0.61
RBC Dexia Investor Services Australia Nominees Pty Limited	904,855	0.57
	129,779,607	81.51

ON-MARKET BUY BACK

There is no current on-market buy back.

SECURITIES EXCHANGE

Amalgamated Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. Shares are listed on the ASX under the code AHD. Details of trading activity are published in most Australian daily newspapers.

Other Information

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 10am on Friday 22 October 2010 at The State Ballroom, State Theatre, 49 Market Street, Sydney NSW 2000.

COMPANY SECRETARY

Mr Greg Dean CA, ACIS

REGISTERED OFFICE

The registered office of the Company is:

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For more information on Amalgamated Holdings Limited please refer to our website at www.ahl.com.au

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