



AHL

# ANNUAL REPORT 2004

AMALGAMATED HOLDINGS LIMITED  
ABN 51 000 005 103



# ANOTHER AHL EXPERIENCE

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"A strong ski season, the recovery of the hotel and tourism sectors, and growth in domestic cinema operations were some of the factors that contributed to the outstanding results."

GREATER UNION  BIRCH CARROLL & COYLE

STATE THEATRE

atlab

RYDGES HOTELS • RESORTS

BLUEROCK CATERING

 THREDBO

MATILDA Cruises

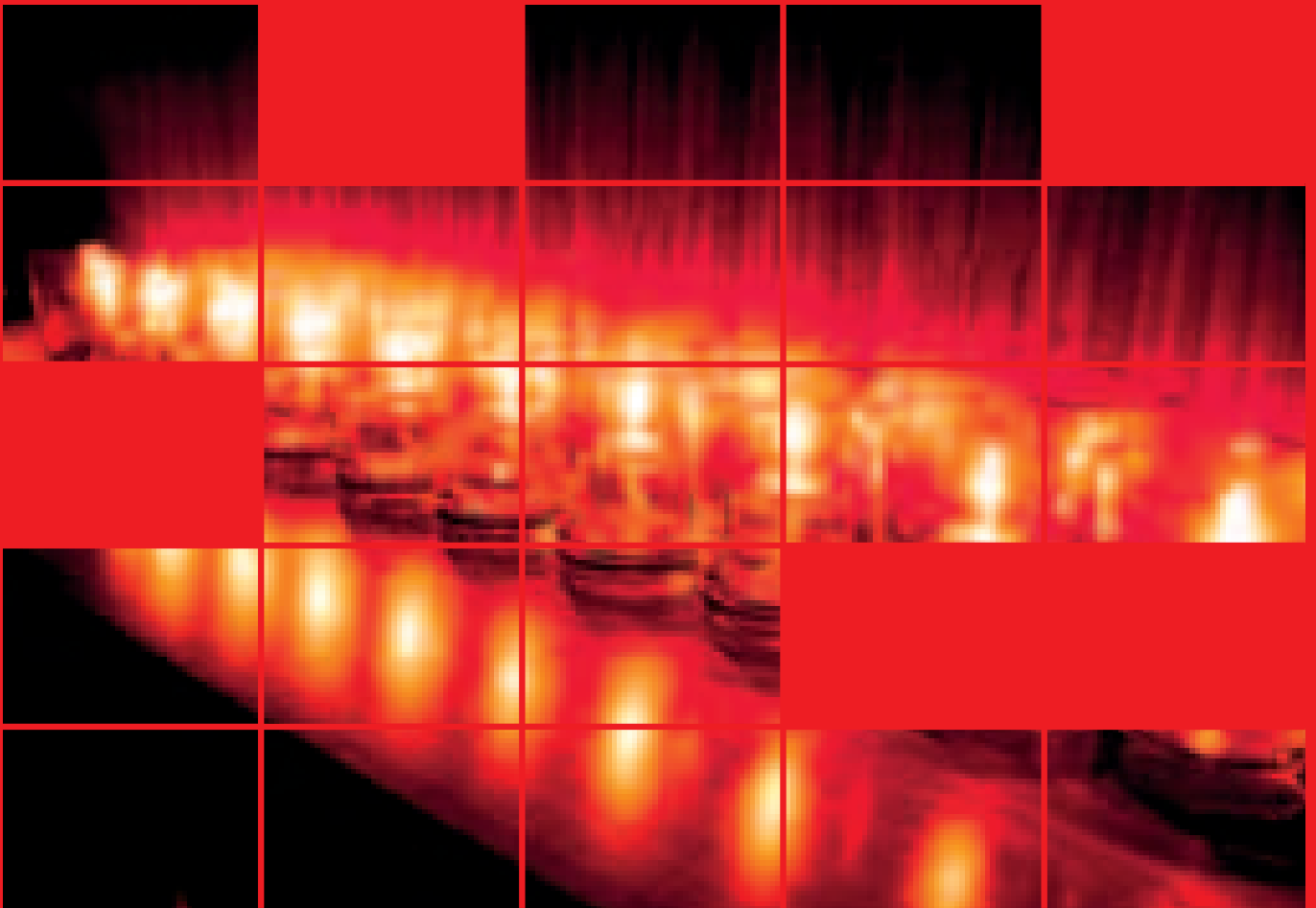
 FEATHERDALE WILDLIFE PARK

CineStar

  
Filmlab Engineering

CMP  
Cinesound Movietone Productions





# CHAIRMAN'S REVIEW

“The strong growth in normalised earnings has enabled the Board to increase the dividend by 13% over the prior year... the satisfying element of the result is the underlying strength of our core domestic business of cinemas, Hotels & Resorts and Thredbo.”



AG RYDGE –  
CHAIRMAN

## CHAIRMAN'S REVIEW CONTINUED

I am pleased to present to you an overview of the operations of Amalgamated Holdings Limited and its controlled entities (the "Group") for the year ended 30 June 2004. For a detailed account of the activities of the Group and a review of the Group's performance for the year, I commend to you the Managing Director's Review of Operations by Division contained within this Annual Report.

## RESULTS

The Group operating profit before unusual and extraordinary items and income tax was \$59.3 million compared to \$42.4 million in the previous year, an increase of 40%. From this profit perspective, the 2004 financial year has been an exceptional one. The outstanding result was driven by the recovery in the hotel and tourism sectors, another strong ski season, continued growth in domestic cinema operations and a significant lift in the contribution from our 50% share in Roadshow Distributors Pty Ltd.

The impact of unusual items was significant and resulted in the Group reporting a net loss of \$31.2 million compared to the prior year profit of \$30.3 million. The total of unusual items was a net loss before income tax of \$74.3 million and predominately related to two events on which I will comment briefly.

## MAJOR EVENTS

The year saw two particular events, which have had and will have varying impacts on the earnings of the Group in the year under review and into the future.

The most significant of the events was the acquisition, in December 2003, of the remaining 50% interest in Kieft & Kieft Filmtheater GmbH ("Kieft & Kieft") and the subsequent reassessment of our investment in Kieft & Kieft.

The decision to acquire the additional 50% in Kieft & Kieft was taken in order to better protect our existing investment. Most shareholders will be aware that the Group acquired 50% of Kieft & Kieft in January 1998. At that time, Kieft & Kieft operated 137 screens and the acquisition was anticipated to provide access to extensive growth opportunities within the German market. Whilst Kieft & Kieft has expanded considerably since 1998 and now operates 394 screens, the deteriorating economic conditions within Germany, and the resulting impact on cinema visitations, necessitated a write-down of our interests in that group. The write-down, as announced to the market in May 2004, included an amount for goodwill and other intangibles of \$65 million and \$5.4 million for underperforming cinema sites and other provisions. This write-down was in addition to the \$10.9 million in respect of underperforming sites that was booked in the half year to 31 December 2003.

Since moving to 100% ownership of Kieft & Kieft, there has been a restructure of the organisation and an enhanced focus on cost control. Management is confident that an improvement in the German economy, the availability of good film product and continued focus on cost control should contribute to improved results for Kieft & Kieft.

In March 2004, the Group disposed of its one-third shareholding in Val Morgan Holdings Pty Limited ("Val Morgan"). The Group first acquired its interest in Val Morgan in December 2002, the acquisition was approved by the Australian Competition and Consumer Commission ("ACCC") subject to the undertaking that at least two of the acquiring exhibitors divest of their interest within 18 months. In March 2004, and in accordance with the ACCC undertaking, the Group announced the sale of its interest in Val Morgan. The profit on the sale was \$8.9 million.

## CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

The year 2004/05 marks the beginning of reporting under the corporate governance guidelines as developed by the ASX Corporate Governance Council. The Group elected to early adopt these guidelines and the Corporate Governance Statement was published in the 2003 Annual Report. The Corporate Governance Statement has been reviewed during the year and the 2004 statement addresses the Group's current position in relation to the guidelines developed by the Council. The Board will, as has always been the case, endeavour to achieve the highest levels of accountability and transparency in all aspects of its reporting.

There were two retirements from the Board during the year. Messrs Adrian Lane and Graeme Herring resigned on 31 August 2003 and 17 June 2004 respectively. Both Directors made substantial contributions to the Company during their tenure on the Board. In particular Mr Herring, as Chairman of the Audit Committee, brought great diligence to the Board's deliberations and was a strong and willing advocate of good corporate governance. I extend, on behalf of the Board, appreciation for both Directors' contributions and the best wishes to them in their retirement.

Ms Meredith Hellicar was welcomed to the Board on 18 September 2003. Given Ms Hellicar's breadth of experience and skills as outlined in this Annual Report, we are already benefiting from her contribution to the Board's deliberations.

## DIVIDENDS

Directors have declared a final dividend for the year of 7 cents per share on top of the 6 cents per share interim dividend that was paid on 18 March 2004. This makes a total dividend paid for the year of 13 cents, compared to 11.5 cents paid in 2003 being an increase of 13%. In declaring the dividend, the Directors continue to be mindful of the current trading environment in which the Group is operating, together with its ongoing cash requirements.

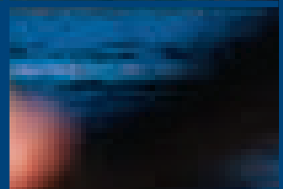
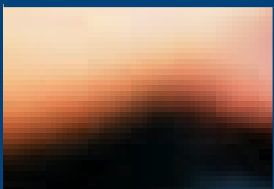
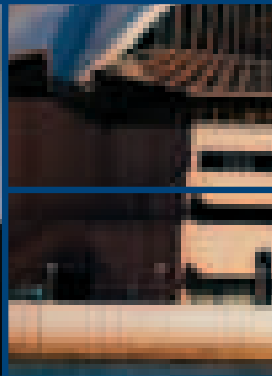
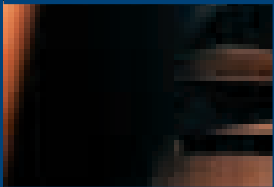
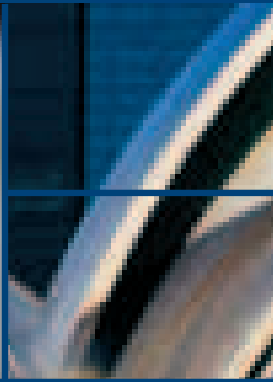
The Directors are continuing to abide by a dividend policy that will not only look after the short-term needs of shareholders and the Group, but also provide longer-term security of earnings.

## THE FUTURE

The Board believes the Company is in a strong position at the commencement of the new financial year. Whilst the market segments in which the various businesses operate will, from time to time undergo changes, the businesses comprising Amalgamated Holdings Limited are robust and, notwithstanding variable operating conditions and external factors, we believe shareholders can look forward to continued long-term earnings growth for the Group.



Alan G Rydge  
Chairman  
Amalgamated Holdings Limited



# BOARD OF DIRECTORS

## 1. ALAN RYDGE

Age 52. Non-Executive Chairman, Board Member since 1978, Chairman of Directors since 1980, Audit Committee Member and Nomination & 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 AHL Managing Director.

### DIRECTORSHIPS

Other directorships include Enbear Pty Limited and Alpoeb Pty Limited. Chairman of Carlton Investments Limited. Former Deputy Chairman of Australia Post.

## 2. ROBERT GRAHAM

BE Sydney, MBA Harvard, FAICD

Age 67. Independent Non-Executive Director, Board Member since 1990, Audit Committee Member and Nomination & 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

Former Director of the Australian Institute of Company Directors (1998-2001).

## 3. ANTHONY CLARK

AM, FCA, FAICD

Age 65. Independent Non-Executive Director, Board Member since 1998. Chairman of the Audit Committee and Nomination & Remuneration Committee Member.

### EXPERIENCE

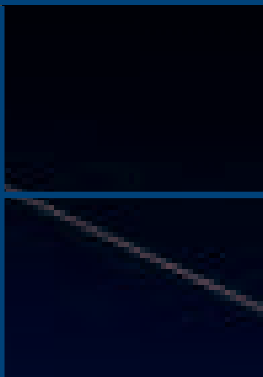
A company director and previously practised as a Chartered Accountant. 40-plus years accounting, audit, consulting and finance-related experience.

### DIRECTORSHIPS

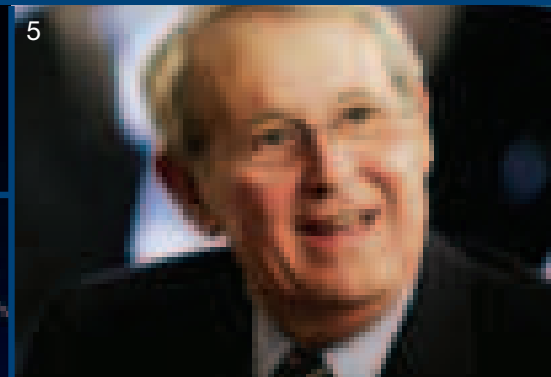
Other directorships include Carlton Investments Limited, Ramsay Health Care Limited and Telstra Corporation Limited. Chairman of Cumnock Coal Limited and Deputy Chairman of Tourism Australia.



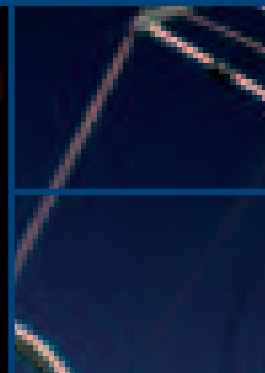
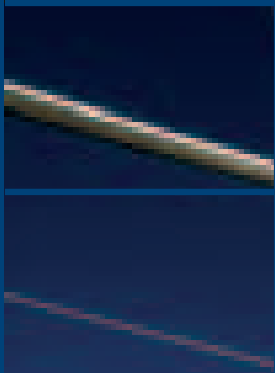
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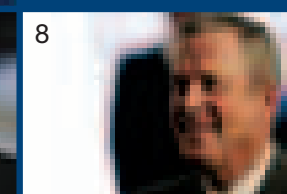
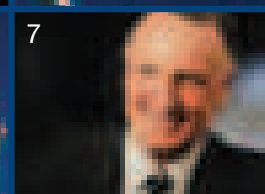


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#### 4. DAVID SEARGEANT

Age 54. 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

Other directorships include Atlab Holdings Pty Limited, Roadshow Distributors Pty Limited and Tourism Training Australia. Chairman of National Accommodation Council Australian Hotels Association.

#### 5. THOMAS FORD

FAICD

Age 65. Independent Non-Executive Director and Board Member since 1993.

#### EXPERIENCE

A company director and Investment Banker. 40-plus years of banking and finance-related experience.

#### DIRECTORSHIPS

Other directorships include Australian Pipeline Trust, Australian Pipeline Limited and Resolute Mining Limited. Chairman of Resimac Limited.

#### 6. MEREDITH HELICAR

BA, LLM (Hons), FAICD

Age 50. Independent Non-Executive Director and Board Member since 2003.

#### EXPERIENCE

A company director and consultant specialising in change management. 20-plus years experience in the telecommunications, resources, logistics, legal services and financial services sectors. Former Managing Director TNT Logistics Asia, Chief Executive Officer of Corrs Chambers Westgarth and Managing Director of InTech Financial Services Limited.

#### DIRECTORSHIPS

Other directorships include AMP Limited, HIH Claims Support Limited, NSW Treasury Corporation and Southern Cross Airports Group. Chairman of James Hardie Industries NV, HLA Envirosiences and the Sydney Institute.

#### 7. GRAEME HERRING

BCom, DipEd

Age 70. Mr Herring resigned from Board and Committee positions on 17 June 2004. Prior to resignation, Mr Herring held the positions of Independent Non-Executive Director, Board Member since 1984, Chairman of the Audit Committee and Nomination & Remuneration Committee Member.

#### EXPERIENCE

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

#### DIRECTORSHIPS

Other directorships include Carlton Investments Limited, WIN Corporation Pty Limited and Louis Vuitton Australia Pty Limited. Former director of Australian Pharmaceutical Industries Limited Group.

#### 8. ADRIAN LANE

BA, LLB

Age 65. Mr Lane resigned from Board and Committee positions on 31 August 2003. Prior to resignation, Mr Lane held the positions of Independent Non-Executive Director, Board Member since 1989 and Audit Committee Member.

#### EXPERIENCE

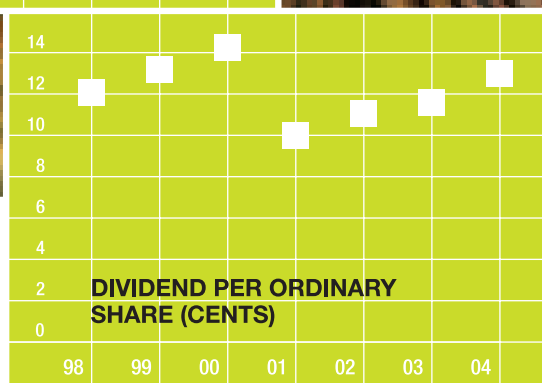
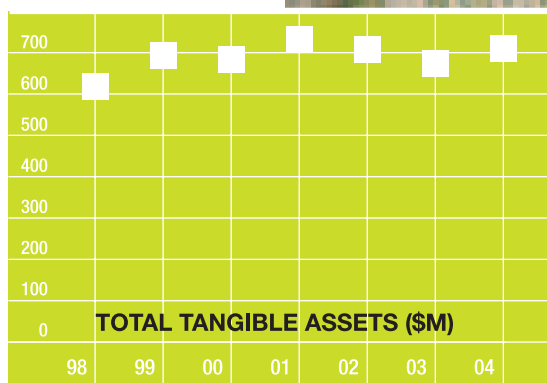
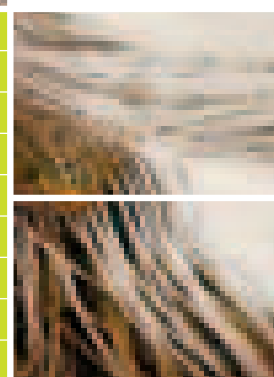
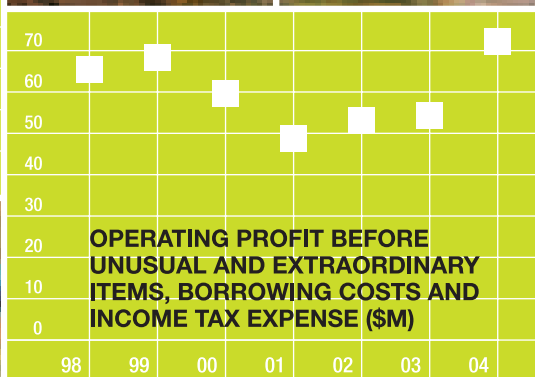
A company director with 40-plus years legal and commercial experience.

#### DIRECTORSHIPS

Other directorships include Chairman of Mirvac Limited and The Smith Family. Former Chairman of OPSM Group Limited.

#### EXPLANATION OF DEGREES AND ABBREVIATIONS

AM Member in the Order of Australia; BA Bachelor of Arts; BCom Bachelor of Commerce; BE Sydney Bachelor of Engineering, The University of Sydney; DipEd Diploma of Education; FAICD Fellow of The Australian Institute of Company Directors; FCA Fellow of The Institute of Chartered Accountants in Australia; LLB Bachelor of Laws; LLM (Hons) Master of Laws (Honours); MBA Harvard Master of Business Administration, Harvard University.



# FINANCIAL HIGHLIGHTS

30 JUNE (\$ MILLION UNLESS INDICATED)	1998	1999	2000	2001	2002	2003	2004
Revenue from sales of goods and rendering of services – Note 1 below	278.2	322.8	322.6	312.2	317.2	278.6	440.3
Share of revenues derived by partnerships and unit trusts – Note 2 below	116.5	117.2	132.9	127.8	143.6	155.0	242.3
Other revenues	46.5	21.9	21.9	33.3	34.8	90.4	41.2
<b>Total revenues – Note 2 below</b>	<b>441.2</b>	<b>461.9</b>	<b>477.4</b>	<b>473.3</b>	<b>495.6</b>	<b>524.0</b>	<b>723.8</b>
Operating profit before unusual and extraordinary items, borrowing costs and income tax expense	69.0	71.9	63.0	52.1	57.1	57.6	74.2
Unusual items	2.8	-	(3.0)	0.4	1.8	(24.8)	(74.3)
Borrowing costs	(14.4)	(17.6)	(15.0)	(18.5)	(19.5)	(15.3)	(14.8)
<b>Profit/(loss) from ordinary activities before income tax</b>	<b>57.4</b>	<b>54.3</b>	<b>45.0</b>	<b>34.0</b>	<b>39.4</b>	<b>17.5</b>	<b>(14.9)</b>
Income tax expense	(15.2)	(14.2)	(17.0)	(10.6)	(9.6)	(9.7)	(16.2)
<b>Operating profit/(loss) after income tax expense</b>	<b>42.2</b>	<b>40.1</b>	<b>28.0</b>	<b>23.4</b>	<b>29.8</b>	<b>7.8</b>	<b>(31.1)</b>
Extraordinary items	(0.5)	(1.7)	(1.4)	(0.5)	(1.4)	22.5	-
Outside equity interests	(0.1)	0.1	0.1	-	-	-	(0.1)
<b>Operating profit/(loss) and extraordinary items after income tax</b>	<b>41.6</b>	<b>38.5</b>	<b>26.7</b>	<b>22.9</b>	<b>28.4</b>	<b>30.3</b>	<b>(31.2)</b>
Basic earnings per share (cents)	33.0	31.0	21.0	18.0	24.0	24.0	(25.0)
Dividend per ordinary share (cents)	12.0	13.0	14.0	10.0	11.0	11.5	13.0
Total tangible assets	652.7	726.9	720.3	766.9	742.2	707.5	732.1
Total equity	314.8	386.8	388.2	402.9	413.5	418.6	370.1
Interest bearing liabilities net of cash	210.4	241.2	250.3	261.1	247.2	195.4	211.5
Gearing (%) – Note 3 below	40.1	38.4	39.2	39.3	37.4	31.8	36.4

Notes:

- The total increase in sale of goods and rendering of services has been impacted by the acquisition of the further 50% interest in Kieft & Kieft Filmtheater GmbH on 2 December 2003. The financial results of Kieft & Kieft Filmtheater GmbH have been consolidated from that date.
- To more fairly reflect the operations of the consolidated entity, revenue disclosed above includes the share of the revenue earned by partnerships and unit trusts.
- Gearing is defined as interest bearing liabilities net of cash as a % of interest bearing liabilities net of cash plus total equity.
- The consolidated entity applied the equity method of accounting for investments in associates for the first time in 1999. The 1998 year has not been adjusted to reflect this change.

# ORGANISATIONAL STRUCTURE

## AHL ENTERTAINMENT

### GREATER UNION CINEMAS

Australia's leading cinema exhibitor, operating cinemas in major regional centres and every mainland capital.

### BIRCH CARROLL & COYLE CINEMAS

The dominant cinema exhibitor in Queensland and the Northern Territory.

### INTERNATIONAL CINEMAS

Operates under the Cinestar brand with extensive cinema exhibition interests in Germany, The Netherlands and the Middle East.

## AHL ENTERTAINMENT TECHNOLOGY

### ATLAB AUSTRALIA

A 50% interest in the Atlab group of companies, Australia's largest film processing and duplicating laboratory. Atlab also offers pre and post-production facilities including sound, digital and optical effects.

### ATLAB IMAGE & SOUND TECHNOLOGY

Provides supply and installation of cinema audio and visual equipment.

### FILMLAB ENGINEERING

Manufacture and supply of film processing equipment.

### CINESOUND MOVIETONE PRODUCTIONS

A joint venture with Fox, providing custody and maintenance of archival newsreel and film footage.

## AHL STRATEGIC INVESTMENTS

### ROADSHOW DISTRIBUTORS

A 50% interest in Roadshow Distributors, the distributor of movies from many of Hollywood's major studios for theatrical, video, DVD, cable and free-to-air television release.

### PROPERTY

Extensive property holdings including cinema, hotel and long-term commercial and retail property investments.

## AHL HOSPITALITY & LEISURE

### RYDGES HOTELS & RESORTS

Owner and operator of hotels and resorts in Australia, New Zealand, Thailand, the United Arab Emirates, the United Kingdom and Qatar.

### THREDBO ALPINE RESORT

Australia's premier alpine resort destination offering a unique summer and winter experience. The activities include the operation of the ski resort, property development and management, and accommodation management.

### STATE THEATRE

2,000-seat performance theatre and function facilities located in the heart of the Sydney CBD.

### MATILDA CRUISES

Provides Sydney Harbour sightseeing, charter and commuter services.

### FEATHERDALE WILDLIFE PARK

Located in western Sydney and is home to Australia's largest collection of native fauna.

### BLUE ROCK CATERING

Catering and events company operating from unique venues in Sydney such as Fort Denison, Fox Studios and the Australian Museum.

### PIER 26 BAR & CAFÉ

Café and bar located in Darling Harbour between the Sydney Aquarium and Cockle Bay Pier.



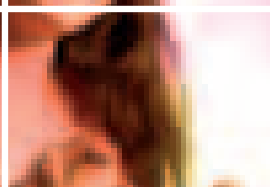
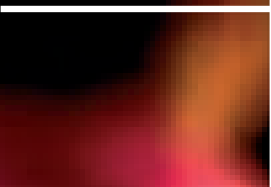
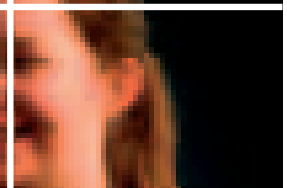
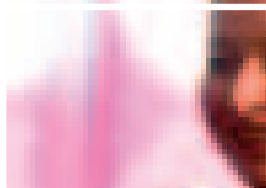
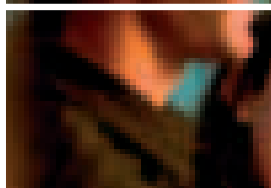
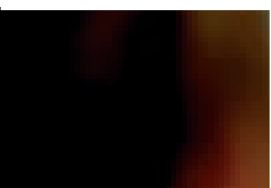
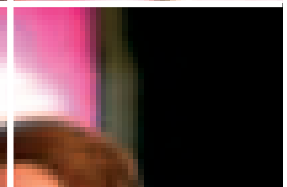
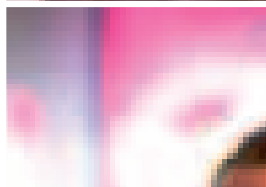
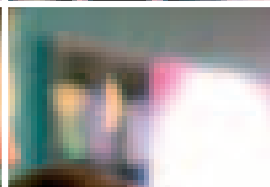
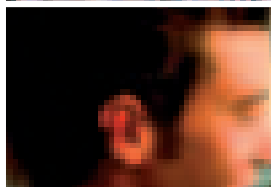
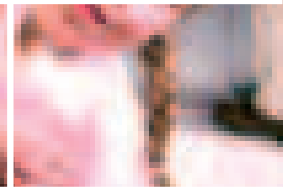
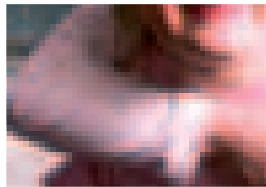
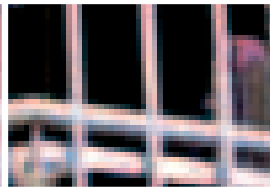
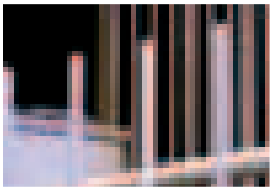
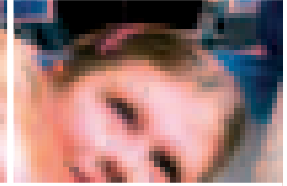
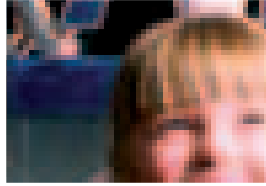
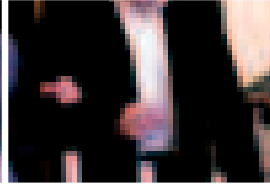
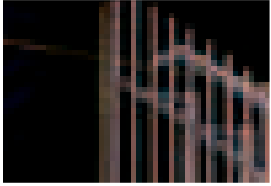
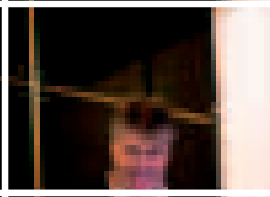
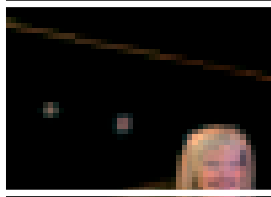
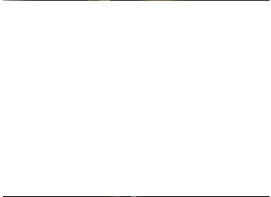


# MANAGING DIRECTOR'S REVIEW OF OPERATIONS BY DIVISION

“In addition to the growth achieved in our core businesses, an improved performance from our investment in Roadshow Distributors further contributed to the excellent result... an encouraging improvement in our German cinema operations was evident late in the second half and this gives some confidence for a further strengthening through the first quarter of the 2004/5 year.”



DC SERGEANT –  
MANAGING  
DIRECTOR



# MANAGING DIRECTOR'S REVIEW OF OPERATIONS BY DIVISION CONTINUED

## ENTERTAINMENT

### AUSTRALIAN DOMESTIC EXHIBITION

Domestic exhibition continued to build on the growth experienced in the previous two years. Total revenue from owned and managed sites was \$341,000,000, an increase of 7.6% on the prior year.

Cinema admissions grew by 2.8% on the prior year and merchandising revenue by 11.0%. Group companies, along with our joint venture partner Village Cinemas, operated or had an interest in 10 of the 12 highest grossing cinemas in Australia in 2003/04, up from 8 of the top 12 in the prior year. Admissions growth was driven by the outstanding success of *Finding Nemo*, *Lord of the Rings – Return of the King* and late in the year, the third Harry Potter instalment, *Harry Potter and the Prisoner of Azkaban*.

Screen advertising revenue continued to be affected by the renegotiated contract with sales agent Val Morgan. The company sold its equity stake in Val Morgan in March 2004 and a new screen advertising agreement was then signed with Val Morgan. The new arrangements are expected to deliver an improvement in this important revenue stream in the upcoming year.

The result benefited from the full-year impact of the increased interest in the Australian Theatres Joint Venture acquired in March 2003.

The highly successful Gold Class cinema concept was introduced at our flagship location at Marion, Adelaide in June. Seven locations now offer Gold Class and the concept is expected to be expanded to other locations in the coming year.

An 11-screen cinema complex at Bondi Junction opened on 1 July 2004 and is performing to expectations. This facility showcases a number of new strategies to sustain growth in future years. Features include a fully licensed bar, a significantly expanded candy bar and range of food and beverage items and the successful Gold Class concept.

The Company continued its previously announced policy of rationalising underperforming sites. Underperforming cinemas at Southbank, Mermaid, Whitford and Joondalup were closed or disposed of during the year.

## INTERNATIONAL EXHIBITION

### GERMANY

Trading prior to the acquisition of the additional 50% interest in Kieft & Kieft on 2 December 2003 was impacted by the heatwave conditions in Germany, particularly in the months of July, August and September. This was compounded by the recessed economic conditions and resultant low level in consumer confidence and spending.

December was a very strong trading month driven primarily by *Lord of the Rings – Return of the King*. Improved trading in the months of May and June was also achieved with the release of *Troy*, *The Day after Tomorrow*, *Harry Potter and the Prisoner of Azkaban* and the German production *Der Wixxer*.

The results of Kieft & Kieft for the full year including our share of losses for our 50% interest to 2 December 2003 and 100% interest from that date amounted to \$10,239,000 before unusual write-downs.

Whilst the immediate outlook remains encouraging with the release of *Shrek 2*, *Spiderman 2* and the German production *Traumschiff Surprise*, the longer term will remain dependent upon a recovery in the German economy and subsequent lift in consumer confidence and spending.

### THE NETHERLANDS

With flat admissions, growth over the prior year was achieved through a lift in average admission price and merchandising spend. Modest but positive earnings flowed from our 33.3% interest in The Netherlands joint venture.

### THE MIDDLE EAST

The Middle East circuit experienced strong growth, continuing the trend from the prior year. Total revenue was 12.5% higher than the prior year, driven by admissions growth of 4.7% and merchandising revenue growth of 24.0%. All cinemas experienced admissions and revenue growth. Marina Mall enjoyed an 11% increase in admissions and made a positive profit contribution for the first time in its three-year history. A new 14-screen complex at the Mall of the Emirates shopping precinct in Dubai is expected to open in September 2005.

## ENTERTAINMENT TECHNOLOGY

Australian domestic film and television production remained at historically low levels during the year, limiting revenues from negative processing and post-production services and contributing to reduced overall earnings for the 50%-owned Atlab group.

The Atlab group's major revenue source, duplication of feature film and trailer prints for theatrical release, remained strong with printing for major Hollywood studios and work subcontracted by Deluxe laboratories.

Production capacity was expanded during the year following the opening of the new release printing facility at Lane Cove, Sydney, with several record print footages in subsequent months.

The 100%-owned Atlab Image & Sound Technology improved earnings, despite deferral of several installation contracts to 2005, with strong revenues from service contracts and organisational changes that yielded significant reductions in operating expenses.

Fimlab Engineering and Fimlab Systems International produced satisfactory results with additional orders for processors and sales of Colormaster units to customers in North and Central America, Europe and Asia.

Although no significant recovery is forecast for domestic film and television production in 2004/5, earnings growth is expected from continued improvements in production efficiency at the new release printing facility and growth in digital post-production services.



## STRATEGIC INVESTMENTS

Roadshow Distributors continued to perform exceptionally well, delivering significant growth over the prior year. The Theatrical division benefited from the major share of top grossing films at the Australian Box Office. Strong performing titles included *Lord of the Rings – Return of the King*, *Matrix Revolutions*, *Harry Potter and the Prisoner of Azkaban* and *Troy*. Other titles performing well included *The Last Samurai*, *Something's Gotta Give* and *Scooby Doo 2: Monsters Unleashed*.

The Entertainment division recorded its best ever result with the release on DVD of *Matrix Reloaded*, *Matrix Revolutions*, *Lord of the Rings – Two Towers* and *Lord of the Rings – Return of the King*. The solid trading performance was also supported by strong sales of back catalogue and ABC/BBC titles.

In March, in accordance with undertakings given to the ACCC the Company undertook a divestment of its 33.3% interest in the cinema screen advertising company Val Morgan, which was controlled through a joint venture company with Hoyts and Village Roadshow. The sale price reflected the improvement in earnings achieved during the period of ownership. More favourable screen advertising contracts were also negotiated at the time of this divestment.

## HOSPITALITY AND LEISURE

Earnings before interest and tax for the Hospitality and Leisure division were up on the prior year by 57%.

The combination of the recovery from SARS, an increased focus on domestic business, an improvement in international visitor arrivals and the staging of the Rugby World Cup all assisted in this growth within Rydges Hotels & Resorts, Matilda Cruises and Featherdale Wildlife Park.

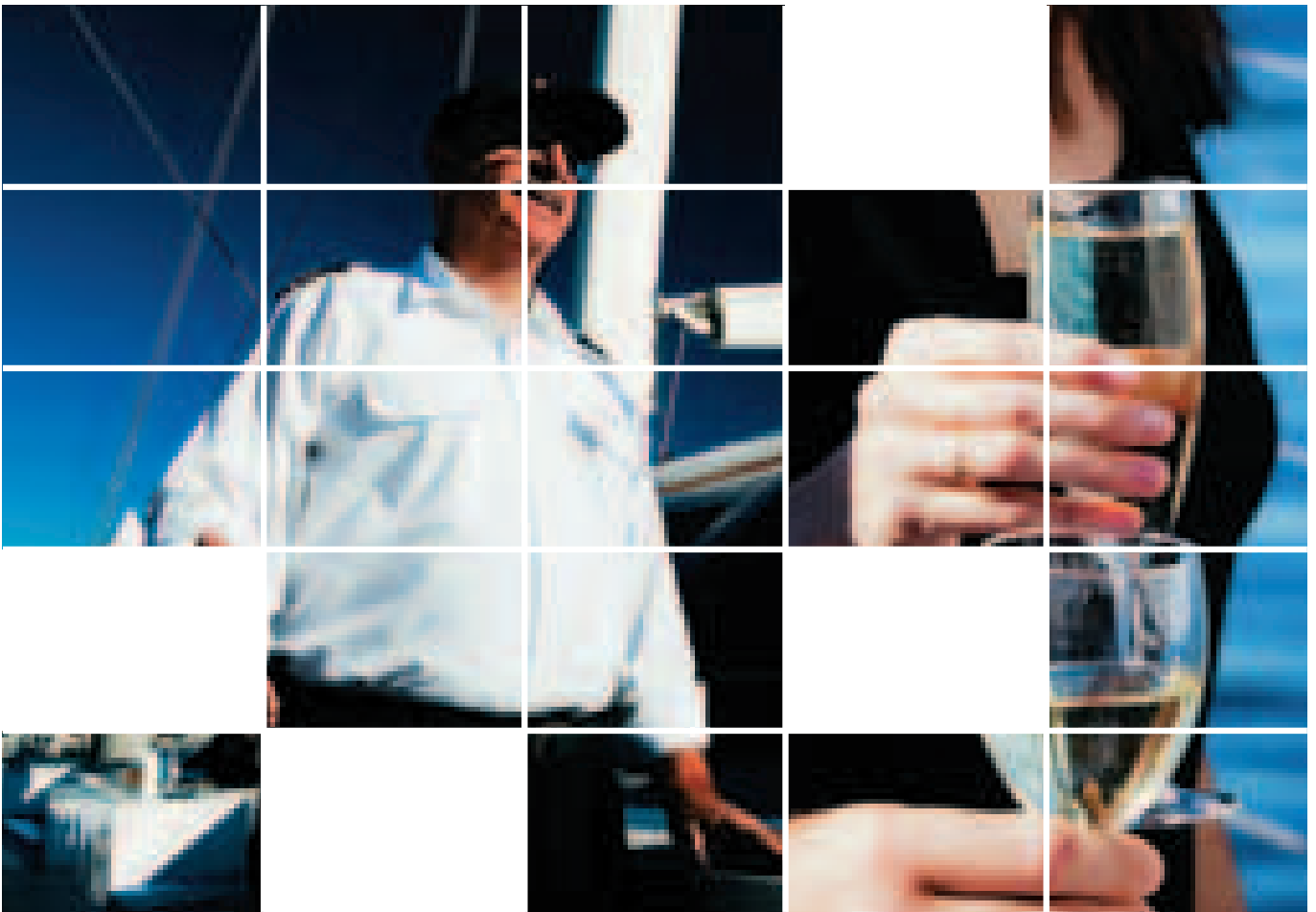
With occupancy growth of some five percentage points on the prior year, a strengthened average room rate and improved control over operating costs, Rydges Hotels & Resorts produced earnings growth of 69%. The level of management fee income was pleasing, which was boosted by the earning of incentive fees at a number of managed hotels.

Internationally, Dubai, Doha, London and Thailand have all traded well.

Of significance this past year was the establishment of a Global Hotel Alliance between Rydges Hotels & Resorts, Pan Pacific Hotels and Resorts in Asia, Kempinski Hotels and Resorts in Europe and Wyndham International Hotels in the USA.

The alliance comprises over 235 hotels in 58 countries with more than 58,000 rooms.

The alliance was made possible by the development and launch of our online booking engine [www.rydges.com](http://www.rydges.com) and the similar ability with our partners.



The purpose of the alliance is to offer choice to our loyal customer base, to build our brand internationally, to enable smaller brands to compete on a global scale and to generate business.

Capital works included the refurbishment of conference facilities in Queenstown and Christchurch and guest room refurbishment in Canberra and Melbourne.

Thredbo earnings were up on the prior year by 27% with a near record season in 2003.

Profit improvement is a result of success in marketing the shoulder periods in the ski season, maximising yield per skier, continued growth in the summer months and very effective management of costs.

Property sales have been strong with all lots in Woodridge Stage 3 sold.

Thredbo has again received excellent early snowfalls, and is experiencing another great season.

Matilda did show considerable improvement over the prior year in scheduled and charter business. The Manly and harbour islands tourist services have proven popular.

The scrapping of a number of vessels led to an increase in depreciation.

The Pier 26 Bar produced an excellent result and continues to trade well ahead of the prior year and is enjoying strong domestic and tourist support. Securing the British Rugby Supporters during the World Cup Rugby made a positive contribution.

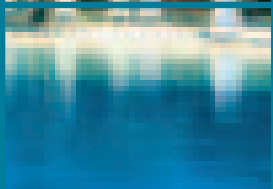
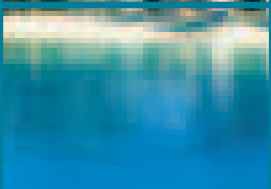
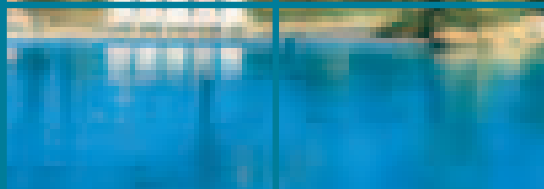
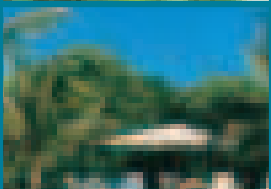
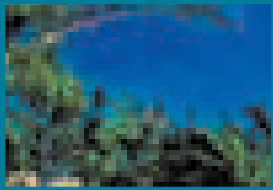
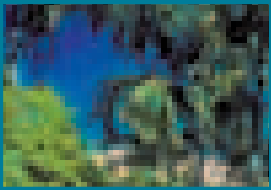
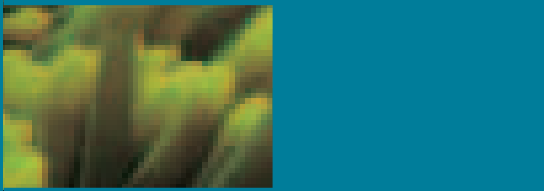
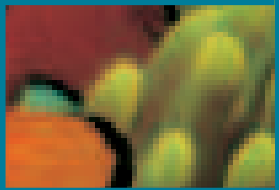
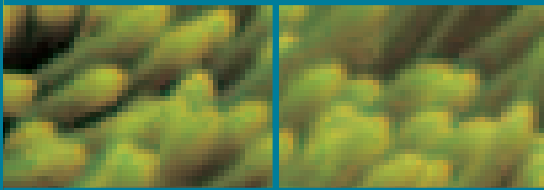
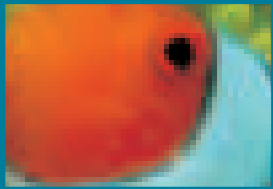
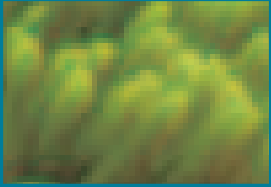
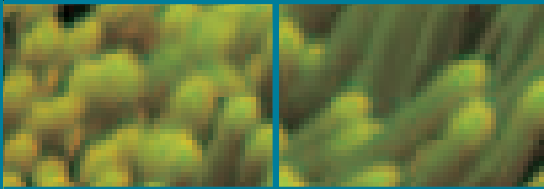
Featherdale Wildlife Park enjoyed growth in earnings on the prior year. Strong international and domestic visitations and the closure of the Australia Wildlife Park were the primary contributing factors.

Whilst BlueRock Catering showed a significant lift in earnings over the prior year, the decline in performance for State Theatre led to a combined decline in catering and venues. The prior year for State Theatre included the very successful season of *Cabaret*.

With no major additions to supply in the hotel sector, increasing visitor arrivals and strong domestic demand the Hospitality and Leisure division can look forward to continued solid growth in the coming year.

A handwritten signature in black ink, appearing to read 'David C Seargeant'.

David C Seargeant  
Managing Director  
Amalgamated Holdings Limited





# EXECUTIVES

## DIVISIONAL EXECUTIVES

- 1. JAMES COLLIER  
Managing Director  
AHL Entertainment
- 2. HANS EBERSTALLER  
Managing Director  
AHL Strategic Investments
- 3. MURRAY FORREST  
Managing Director  
AHL Entertainment Technology
- 4. PAUL LONERGAN  
Managing Director  
AHL Hospitality & Leisure

## CORPORATE EXECUTIVES

- 5. PETER HORTON  
Director Finance and Accounting  
Amalgamated Holdings Limited
- 6. GARY LOPEZ  
Director of Corporate Services  
Amalgamated Holdings Limited
- 7. DAMIAN TYNAN  
Director of Group Marketing and Sales  
Amalgamated Holdings Limited
- 8. GREG DEAN  
Company Secretary  
Amalgamated Holdings Limited



- entertainment
- hospitality & leisure
- entertainment technology

# LOCATIONS

## ENTERTAINMENT

Domestic: 56 sites, 456 screens

### GREATER UNION

#### ACT

Civic, Canberra  
Manuka, Canberra

#### NSW

Bondi, Sydney  
Burwood, Sydney  
Campbelltown, Sydney  
MEGAPLEX Castle Hill, Sydney  
Glendale, Newcastle  
Hornsby, Sydney  
Hurstville, Sydney  
Liverpool, Sydney  
MEGAPLEX Macquarie, Sydney  
Miranda, Sydney  
Mosman, Sydney  
Newcastle  
Shellharbour  
Greater Union Hoyts Centre, Sydney  
Tuggerah, Central Coast  
Wollongong  
Bass Hill Drive-In, Sydney  
Blacktown Drive-In, Sydney

#### QLD

Greater Union Hoyts Regent Centre, Brisbane  
Greater Union Hoyts Myer Centre, Brisbane

#### SA

Adelaide City  
MEGAPLEX Marion, Adelaide  
Arndale, Adelaide

#### VIC

Melbourne City

#### WA

MEGAPLEX Innaloo, Perth  
Morley, Perth

### BIRCH CARROLL & COYLE

#### NSW

Coffs Harbour  
Lismore

#### NT

Casuarina  
Darwin City

#### QLD

Australia Fair, Gold Coast  
Browns Plains, Brisbane  
Cairns Central  
Cairns City  
Capalaba, Brisbane  
Carindale, Brisbane  
MEGAPLEX Chermside, Brisbane  
Coolangatta, Gold Coast  
Earlville, Cairns  
MEGAPLEX Garden City, Brisbane  
Grand Central, Toowoomba  
MEGAPLEX Indooroopilly, Brisbane  
Ipswich City  
Mackay City  
Mt Pleasant, Mackay  
Maroochydore, Sunshine Coast  
Morayfield, Brisbane  
Pacific Fair, Gold Coast  
Robina, Gold Coast  
North Rockhampton  
Strathpine, Brisbane  
The Strand, Toowoomba  
Toombul, Brisbane  
Townsville City

International: 89 sites, 625 screens

#### CINESTAR

Germany  
United Arab Emirates  
Netherlands

## ENTERTAINMENT TECHNOLOGY

#### ATLAB

Sydney, NSW  
Melbourne, VIC  
Gold Coast, QLD  
Auckland, NZ

#### ATLAB IMAGE & SOUND TECHNOLOGY

Sydney, NSW  
Melbourne, VIC  
Adelaide, SA  
Brisbane, QLD  
Perth, WA  
Auckland, NZ

#### FILMLAB ENGINEERING

Sydney, NSW  
Stokenchurch, UK

## HOSPITALITY & LEISURE

### RYDGES HOTELS & RESORTS

#### AUSTRALIA

Rydges South Park, Adelaide  
Rydges South Bank, Brisbane  
Rydges Plaza, Cairns  
Rydges Oasis Resort, Caloundra

Rydges Capital Hill, Canberra  
Rydges Lakeside, Canberra  
Rydges Eagle Hawk Resort, Canberra  
Rydges Hobart  
Rydges Melbourne  
Rydges Riverwalk, Melbourne  
Rydges Carlton, Melbourne  
Rydges North Melbourne  
Rydges Perth  
Rydges Reef Resort, Port Douglas  
Rydges Bankstown, Sydney  
Rydges Camperdown, Sydney  
Rydges Cronulla, Sydney  
Rydges Jamison, Sydney  
Rydges North Sydney  
Rydges Parramatta, Sydney  
Thredbo Alpine Hotel & Apartments  
Rydges Capricorn Resort, Yeppoon

#### NEW ZEALAND

Rydges Auckland  
Rydges Christchurch  
Rydges Le Grand, Hamilton  
Rydges Palmerston North  
Rydges Lakeland Resort, Queenstown  
Rydges Rotorua

#### THAILAND

Rydges Tapae, Chiangmai  
Rydges Beach Resort, Phuket

#### UNITED ARAB EMIRATES

Rydges Plaza Dubai

#### QATAR

Rydges Plaza Doha

#### UNITED KINGDOM

Rydges Kensington Plaza, London

#### THREDBO ALPINE RESORT

Thredbo, NSW

#### STATE THEATRE

Sydney, NSW

#### MATILDA CRUISES

Darling Harbour, NSW

#### FEATHERDALE WILDLIFE PARK

Doonside, NSW

#### BLUE ROCK CATERING

Sydney, NSW

#### PIER 26 BAR & CAFÉ

Darling Harbour, NSW

## AHL CORPORATE

Sydney, NSW



# AMALGAMATED HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

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# DIRECTORS' REPORT

The Directors present their report together with the Financial Report of Amalgamated Holdings Limited (the "Company") and the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004 and the auditors' report thereon.

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## DIRECTORS

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

- Mr AG Rydge (Chairman)
- Mr AJ Clark
- Mr TC Ford
- Mr RM Graham
- Ms M Hellicar (appointed 18 September 2003)
- Mr GL Herring (resigned 17 June 2004)
- Mr AJ Lane (resigned 31 August 2003)
- Mr DC Seargeant.

Particulars of the qualifications, experience and independence status of each Director, as at the date of this report, are set out in pages 6 and 7 of this 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 are:

	FULL BOARD OF DIRECTORS MEETINGS	DIRECTORS' MEETINGS FOR SPECIFIC ISSUES	AUDIT COMMITTEE MEETINGS	NOMINATION & REMUNERATION COMMITTEE MEETINGS
<b>Number of meetings held:</b>	11	1	4	2
<b>Number of meetings attended:</b>				
Mr AG Rydge	11	1	4	2
Mr AJ Clark	11	1	3 <sup>(d)</sup>	2
Mr TC Ford	11	1	2 <sup>(a)(e)</sup>	(a)
Mr RM Graham	11	1	4	(a)
Ms M Hellicar (appointed 18 September 2003)	8 <sup>(c)</sup>	1 <sup>(c)</sup>	(a)	(a)
Mr GL Herring (resigned 17 June 2004)	10	1	3	2
Mr AJ Lane (resigned 31 August 2003)	2 <sup>(b)</sup>	(b)	1 <sup>(b)</sup>	(a)
Mr DC Seargeant	10	1	3 <sup>(e)</sup>	1 <sup>(e)</sup>

(a) Reflects non-requirement to attend meetings.

(b) Represents attendance at all meetings prior to resignation from Board of Directors and Audit Committee.

(c) Represents attendance at all meetings subsequent to appointment to the Board of Directors.

(d) Appointed to the Audit Committee on 16 February 2004. Attended one Committee meeting by invitation and all meetings subsequent to appointment to the Audit Committee.

(e) Attended Committee meetings by invitation.

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

### Board of Directors

#### 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 shareholders, as well as its employees, customers and the community.

The responsibilities of the Board include:

- 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 consolidated entity
- 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 consolidated entity
- monitoring compliance with regulatory requirements and ethical standards
- monitoring the integrity of internal control and reporting systems
- monitoring strategic risk management systems, including review of processes for identifying areas of significant business risk, including those associated with legal compliance obligations, monitoring of risk management policies and procedures, 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 annual and half-yearly statutory accounts and other reporting and monitoring financial results on an ongoing basis
- determining dividend policy and declaring dividends.

# DIRECTORS' REPORT

## CONTINUED

### Role and responsibilities of the Board continued

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

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

### Board processes

To assist in the execution of its responsibilities, the Board has in place an Audit Committee and a Nomination & Remuneration Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis.

Recommendation 2.1 of the ASX Corporate Governance Council 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 & Remuneration Committee.

### Composition of the Board

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

- the Board should comprise at least six Directors
- the Board should comprise a majority of non-executive independent Directors
- the Board should comprise Directors with a broad range of relevant expertise.

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 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 Chairman, together with the Board, identifies suitable candidates with the appropriate expertise and experience. 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 & Remuneration Committee and then recommended for determination by the Board. A formal letter of appointment is provided to all incoming non-executive Directors.

### 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 another Group member, 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 another Group member
- is not a material\* supplier or customer of the Company or another Group member, 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 another Group member other than as a Director of the Company
- 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.

\* The Board considers, "material", in this context, 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.

Certain 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 that holds a wide portfolio of investments. The Board has considered the question of independence of those directors of Carlton who do not have a substantial beneficial shareholding in their own right. The Board has concluded that, as the nature of Carlton's business is in no way similar to the businesses of the Company, 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.

### 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 ASX Corporate Governance Council 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 the consolidated entity due to his longstanding contribution to, and association with, the Company and extensive knowledge of the film, hospitality and tourism industries. Mr Rydge has been a non-executive Chairman since 1 January 2002.

### **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 and must keep the Board advised of any changes. Where the Board believes a significant conflict of interests exists, the Director concerned does not receive the relevant Board papers and is not present at the Directors' meeting whilst the item is considered.

### **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 consolidated entity and meet with management to gain a better understanding of business operations.

### **Independent professional advice**

Each Director has the right of access to all relevant Company information and to the consolidated entity's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity'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.

### **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 Directors' Retirement 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. The Plan benefits accrue on a monthly basis and reaches the maximum amount after 12 years service. The benefit is capped to a maximum lump sum per eligible Director of \$165,000. The Chairman and Managing Director are not eligible to participate in the Directors' Retirement Plan. Further details of the Plan are included in Note 36 of the Financial Report.

### **Performance assessment**

The Chairman annually assesses the performance of individual Directors and meets privately with each Director to discuss this assessment. At this same time, Directors provide feedback on the performance of the Chairman.

## **Remuneration**

### **Nomination & Remuneration Committee**

The majority of the Nomination & Remuneration Committee members are non-executive Directors. The role of the Nomination & Remuneration Committee is to review and make recommendations to the Board in regard to appointments and remuneration including:

- the appointment of the Managing Director
- the proposed remuneration strategy and package for the Managing Director and senior executives
- succession plans for 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 members of the Nomination & Remuneration Committee during the year were:

- Mr AJ Clark – independent non-executive Director
- Mr GL Herring – independent non-executive Director (resigned 17 June 2004)
- Mr AG Rydge – non-executive Director
- Mr DC Seargeant – Managing Director, is invited to attend Committee meetings
- Mr RM Graham – independent non-executive Director, was appointed to the Committee from 1 July 2004.

The Nomination & Remuneration Committee meets twice a year and further as required.

### **Remuneration policies**

The Nomination & 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 consolidated entity. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives. The Nomination & Remuneration Committee obtains independent advice as appropriate 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 Company and based on the achievement of specific goals related to their performance and that of the consolidated entity. Senior executives participate in the Company's Management Share Option Plan, the benefits of which are conditional upon the Company achieving certain performance criteria, details of which are included in Notes 28 and 36 of the Financial Report. The Company also has an Employee Share Plan.

Total remuneration for all non-executive Directors, last voted upon and approved by shareholders at the 2002 Annual General Meeting, is not to exceed \$500,000 per annum. Non-executive Directors do not receive any performance-related remuneration or bonuses nor are they issued options on securities.

# DIRECTORS' REPORT

CONTINUED

## Directors' and senior executives' emoluments

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the named executive officers of the Company and the consolidated entity receiving the highest emolument are:

	BASE EMOLUMENT \$	BONUSES \$	NON-CASH BENEFITS \$	SUPER- ANNUATION CONTRIBUTIONS \$	OPTIONS ISSUED (b) \$	MOVEMENT IN ACCRUED LEAVE ENTITLEMENTS \$	RETIREMENT BENEFITS ACCRUED (c) \$	TOTAL \$
<b>Directors</b>								
Non-executive:								
Mr AG Rydge <sup>(a)</sup>	151,598	–	–	11,002	–	–	–	162,600
Mr AJ Clark <sup>(a)</sup>	51,987	–	–	4,679	–	–	17,311	73,977
Mr GL Herring <sup>(a)</sup>	64,220	–	–	5,780	–	–	3,669	73,669
Mr RM Graham <sup>(a)</sup>	56,880	–	79	5,120	–	–	7,668	69,747
Mr TC Ford	49,541	–	–	4,459	–	–	10,675	64,675
Ms M Hellicar	37,614	–	–	3,386	–	–	–	41,000
Mr AJ Lane <sup>(a)</sup>	9,480	–	–	853	–	–	2,126	12,459
<b>Managing Director</b>								
Mr DC Seargeant	658,998	268,000	319	11,002	158,753	(4,097)	–	1,092,975
<b>Executive officers (excluding Directors)</b>								
<b>The Company</b>								
Mr PW Horton	294,284	37,820	–	25,716	35,537	4,262	–	397,619
Mr DA Tynan	275,236	32,190	–	24,764	43,435	6,418	–	382,043
Mr GL Lopez	273,998	22,230	159	11,002	35,537	(8,613)	–	334,313
Mr GC Dean	145,520	8,100	–	24,480	12,578	8,807	–	199,485
<b>Consolidated</b>								
Mr PG Lonergan	390,998	19,500	–	11,002	35,537	(6,795)	–	450,242
Mr JA Collier	357,498	–	592	10,084	43,029	23,280	–	434,483
Mr PW Horton	294,284	37,820	–	25,716	35,537	4,262	–	397,619
Mr DA Tynan	275,236	32,190	–	24,764	43,435	6,418	–	382,043
Mr HR Eberstaller	258,248	30,000	200	35,501	35,537	20,810	–	380,296

(a) Base emolument includes Board Committee fees.

(b) Amounts disclosed above for remuneration relating to options have been determined in line with the requirements of accounting standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" and in accordance with the guidelines issued by the Australian Securities and Investments Commission ("ASIC"). AASB 1046 requires the options to be valued at the time they are granted 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 options using a binomial option pricing model. Factors taken into account by the binomial option pricing model include the exercise price, the term of the option, the current price and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Under the requirements of AASB 1046, vesting conditions have not been taken into account in determining the fair value of the options at the grant date. It has also been assumed that all options will eventually vest. Details of options on issue are set out under "Options" below and further details on the terms and conditions of these options are set out in Note 28 of the Financial Report.

(c) Retirement benefits represent benefits accrued during the year. Further information is detailed in the section titled Directors' Retirement Plan included in the corporate governance section of this report. Benefits that became payable under the Directors' Retirement Plan during the financial year are detailed in Note 36 of the Financial Report.

## Options

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the Managing Director and executive officers of the Company:

	ISSUE DATE	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE	EXPIRY DATE
<b>Managing Director</b>				
Mr DC Seargeant	20 November 2003	250,000	\$2.75	30 September 2008
Mr DC Seargeant	11 December 2003	250,000	\$3.35	30 September 2008
<b>Executive officers</b>				
Mr PG Lonergan	11 December 2003	100,000	\$3.35	30 September 2008
Mr JA Collier	20 November 2003	200,000	\$2.75	30 September 2008
Mr JA Collier	11 December 2003	100,000	\$3.35	30 September 2008
Mr PW Horton	11 December 2003	100,000	\$3.35	30 September 2008
Mr DA Tynan	11 December 2003	100,000	\$3.35	30 September 2008
Mr HR Eberstaller	11 December 2003	100,000	\$3.35	30 September 2008
Mr GL Lopez	11 December 2003	100,000	\$3.35	30 September 2008
Mr GC Dean	11 December 2003	50,000	\$3.35	30 September 2008
Mr GC Dean	17 June 2004	50,000	\$3.14	30 September 2008

There were no options issued to non-executive Directors during the year.

At the date of this report, unissued ordinary shares of the Company under option are:

	EXERCISE PRICE	NUMBER OF SHARES
<b>Expiry Date</b>		
30 October 2005	\$2.27	400,000
30 September 2006	\$2.26	1,232,500
30 September 2006	\$2.59	100,000
30 September 2006	\$2.22	250,000
30 September 2008	\$2.75	450,000
30 September 2008	\$3.35	1,975,800
30 September 2008	\$3.14	50,000

Further details on the terms and conditions of these options is set out in Note 28 of the Financial Report.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year, there were no ordinary shares issued by the Company as a result of the exercise of options.

## Audit Committee

The role of the Audit Committee is documented in a Charter, which is approved by the Board. The role of the Committee is to serve as an independent and objective body to monitor the consolidated entity's financial reporting process and internal control systems. The Committee also reviews and appraises the audit results of wholly-owned entities, and associated entities, and provides an open avenue of communication between the Board, internal and external auditors, and senior executives. The Audit Committee consists of 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 Audit Committee's Charter is available on request from the Company Secretary.

The members of the Audit Committee during the year were:

Mr GL Herring (Chairman)	–	independent non-executive Director (resigned 17 June 2004)
Mr AJ Clark (Chairman)	–	independent non-executive Director (appointed to the Committee on 16 February 2004 and appointed Chairman from 17 June 2004)
Mr RM Graham	–	independent non-executive Director
Mr AJ Lane	–	independent non-executive Director (resigned 31 August 2003)
Mr AG Rydge	–	non-executive Director.

The Managing Director, Director Finance and Accounting, the Company Secretary, the Group Internal Audit Manager, and the external auditors are invited to attend Committee meetings. Other executives may be invited to Committee meetings at the discretion of the Committee.

# DIRECTORS' REPORT

## CONTINUED

### Audit Committee continued

The responsibilities of the Audit Committee include:

- reviewing the financial reports and other financial information distributed externally
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
- monitoring compliance with the Corporations Act 2001, the Listing Rules and other legislative and reporting requirements
- monitoring the corporate risk assessment process
- reviewing the performance of the external auditors and approving the external annual audit fee. The external audit engagement partner was last rotated in June 2004
- liaising with the external auditors and ensuring that the annual statutory audit and half-year review are conducted in an effective manner
- considering whether material non-audit services provided by the external auditors are consistent with maintaining the external auditor's independence. The external auditors provide an annual declaration of independence
- approving the annual internal audit plan, and evaluating and monitoring the internal audit function
- reviewing internal and external audit reports and ensuring appropriate follow-up action
- reviewing reports on frauds and theft (if any) and ensuring appropriate follow-up action
- monitoring the establishment of appropriate ethical standards
- addressing any matters outstanding with the external auditors or statutory authorities.

The Audit Committee meets at least four times per year. 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. Relevant matters arising from these sessions are shared with the full Board.

### Risk management

#### Risk profile and oversight of the risk management system

The Board oversees the establishment, implementation, and annual review of the Company's risk management system. Management has established and implemented the risk management system for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity. 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 covered the whole financial year and the period up to the signing of the annual Financial Report for all material operations in the consolidated entity.

As well as the annual 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.

#### Financial reporting

The Managing Director and Director Finance and Accounting are required to sign-off on a bi-annual Directors' Financial Statement Questionnaire that provides certification that:

- the consolidated entity's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and consolidated entity
- the above statement is founded on a system of internal control and risk management which implements the policies adopted by the Board and that the consolidated entity's risk management and internal control is operating efficiently and effectively in all material respects.

For the year ending 30 June 2006, the consolidated entity will have to comply with International Financial Reporting Standards ("IFRS") as issued by the Australian Accounting Standards Board ("AASB"). The AASB will issue equivalent IFRS, and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted under International Financial Reporting Pronouncements ("AIFRSs"). The adoption of AIFRSs will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The Company has established a project team to manage the transition to AIFRSs. The responsibilities of the project team include training of staff and system changes required to gather all the required financial information to meet new reporting requirements. It is also the responsibility of the project team to prepare, continually review and update a conversion plan for changes to accounting policies, accounting policy guides, reporting structures, and system and business processes. The project team is chaired by the Director Finance and Accounting and reports quarterly to the Audit Committee. The project team has prepared a timetable for managing the transition to AIFRSs. The project team has completed a high level identification of the key differences in accounting policies and disclosures that are expected to arise from the adoption of AIFRSs. Further information is detailed in Note 41 of the Financial Report.

### **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 financial year and the scope of the work to be performed at each location.

### **Code of Conduct and Ethical Standards**

The Company has a Code of Conduct and Ethical Standards (the “Code”), which has been endorsed by the Board and applies to all Directors and employees. The Code is regularly 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 consolidated entity. Every employee has a nominated supervisor to whom they refer any issues arising from their employment.

The Company is in the process of introducing a “Whistle Blowing” Policy. The policy is designed to support and protect employees who report non-compliant, suspicious or unethical conduct by other employees of the consolidated entity, regardless of seniority of those involved in the alleged conduct. The 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 consolidated entity.

The Board reviews the Code regularly and processes are in place to promote and communicate these policies.

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

- contract formation and pitfalls
- indemnities in contracts
- issues relating to the Trade Practices Act
- employment contracts, termination and redundancy
- harassment and discrimination
- occupational health and safety obligations
- corporate policies, including limits of authority and overview of Corporations Act 2001.

### **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 consolidated entity and the policy is outlined in 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 Listing Rules, the Company Secretary advises the Australian Stock Exchange (“ASX”) of any transactions conducted by Directors in shares in the Company. This information is also reported to the Board.

### **Environment**

The Group’s operations are subject to various environmental regulations under Commonwealth, State/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 financial 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.

# DIRECTORS' REPORT

## CONTINUED

### Communication with shareholders

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 and Accounting, and Company Secretary are responsible for interpreting the Company's 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 Annual Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the Annual Report contains disclosures required by the Corporations Act 2001 and the 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
- the Half-Yearly Report contains summarised financial information and a review of the operations of the consolidated entity during the period. The report is sent to all shareholders (unless a shareholder has specifically requested not to receive the document)
- notification is made to the ASX of any other significant matters regarding the consolidated entity in accordance with the Listing Rules
- the external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report.

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

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity'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 aggregate remuneration of Directors, the granting of options to the Managing Director and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

### PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were:

- motion picture exhibition in cinemas and drive-in theatres
- ownership of cinema, drive-in and office properties
- operations of hotels, resorts and restaurants and investment in hotel properties
- ownership and operation of Thredbo Alpine Resort
- ownership and operation of Sydney harbour cruising and ferry services
- ownership and operation of Featherdale Wildlife Park
- ownership and operation of a catering business
- ownership and operation of the State Theatre, Sydney
- ownership and operation of Pier 26 Bar & Café, Sydney
- supply of theatre and film laboratory equipment
- operation of a film processing laboratory and post-production facility
- investment in shares in various listed and unlisted companies.

During the year:

- the consolidated entity acquired the remaining 50% interest in Kieft & Kieft Filmtheater GmbH ("Kieft & Kieft")
- the consolidated entity concluded an agreement to sell its one-third interest in the Val Morgan group of companies
- the consolidated entity announced a write-down totalling \$70,400,000 in its investment in Kieft & Kieft.

Further details of the above transactions are outlined in the significant changes in the state of affairs and detailed below.

There were no other significant changes in the nature of the activities of the consolidated entity during the year.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- as announced to the market in November 2003, a wholly owned subsidiary of the Company reached agreement to acquire the 50% interest in Kieft & Kieft. This transaction was effective from 2 December 2003 and resulted in the Group increasing its interest in Kieft & Kieft to 100% and in Neue Filmpalast GmbH & Co. KG ("NFP") to 50%.

Initial consideration paid for the transfer was the release of loan obligations of the vendors amounting to \$12,195,000.

Kieft & Kieft operates the Cinestar circuit, which currently exhibits through 55 cinema sites throughout Germany utilising 394 screens.

The financial statements of Kieft & Kieft since the date of acquisition of the further 50% interest have been consolidated into the Group financial statements.

- as announced to the market in March 2004, the Company concluded an agreement to sell its one-third interest in Val Morgan Holdings Pty Limited ("Val Morgan") to Hoyts Advertising.

The one-third interest in Val Morgan was acquired in December 2002. On acquisition of Val Morgan, undertakings were given to the Australian Competition and Consumer Commission ("ACCC") that at least two of the acquiring exhibitors would divest their interest in Val Morgan within an 18-month period. Other shareholders in Val Morgan were Hoyts Multi-plex Cinemas and Village Cinemas Australia.

Consideration for the sale of the one-third interest was \$14,599,000, \$7,599,000 of which was paid on completion, with \$7,000,000 payable on 1 June 2008, provided Val Morgan retains a minimum level of cinema exhibition screens in certain territories in Australia.

The profit recognised on the sale was \$8,901,000. This amount is after discounting the deferred consideration receivable for notional interest.

- as announced to the market in May 2004, in light of ongoing concerns regarding the German economy and its impact on the continuing decline of German cinema visitations, the Company announced a write-down totalling \$70,400,000 in its investment in Kieft & Kieft. The write-down included goodwill and other intangibles of \$65,039,000 and a further \$4,272,000 relating to specific underperforming cinema sites and \$1,089,000 for additional provisions required. An additional amount of \$10,960,000 in respect of underperforming cinema sites was written down in the half-year to 31 December 2003.
- included in the announcement was the Group's decision to review its position in relation to its 50% interest in the joint venture company, NFP. The joint venture operates the UFA circuit consisting of 28 cinema sites and operating some 176 screens. Following this review, a restructuring plan was formulated. The plan called for the immediate commencement of negotiations with cinema site landlords in order to secure significant reductions in the level of lease rental or, where appropriate, lease cancellations. The reductions and cancellations were determined on the basis of achieving a break-even earnings before interest, tax, depreciation and amortisation on the current level of admissions. Negotiations have been successfully concluded with the majority of landlords, however the finalisation of negotiations with the administrator to certain sites previously controlled by several Riech associated companies remains outstanding. As such, the future support of NFP by shareholders remains uncertain. The Group's exposure in the event of an exit from the joint venture would be approximately \$7,000,000.

## REVIEW OF OPERATIONS BY DIVISION

The Group achieved an operating profit before unusual and income tax of \$59,349,000 representing a growth of 40.1% over the prior financial year result.

This growth in normalised earnings was driven by the recovery in the hotel sector, a very successful 2003 ski season, continuing growth in domestic cinema operations and a significant lift in the contribution through the 50% interest in Roadshow Distributors.

Net profit after unusual and extraordinary items and income tax was a loss of \$31,168,000. The loss was incurred as a result of the Group's decision, announced to the market on 18 May 2004, to write down its investment in Kieft & Kieft by \$70,400,000. This amount was in addition to write-downs of \$10,960,000 made in the half-year to 31 December 2003. Partially offsetting these write-downs was a profit gained through the sale of the one-third interest in the Val Morgan screen advertising business of \$8,901,000. The Review of Operations by Division is set out in pages 11 to 15 of this Annual Report.

## DIVIDENDS

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

TYPE	CENTS PER SHARE	TOTAL AMOUNT \$000	DATE OF PAYMENT	TAX RATE FOR FRANKING CREDIT
<b>Declared and paid during the year:</b>				
Final 2003 – Ordinary shares	6.5	8,113	18 Sep 2003	30%
Interim 2004 – Ordinary shares	6.0	7,489	18 Mar 2004	30%
		15,602		
<b>Declared after the end of the year:</b>				
Final 2004 – Ordinary shares	7.0	8,737	22 Sep 2004	30%

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

# DIRECTORS' REPORT

CONTINUED

## EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

## LIKELY DEVELOPMENTS

Likely developments in the operations of the consolidated entity are referred to in the Review of Operations by Division set out in pages 11 to 15 of this Annual Report.

## DIRECTORS' INTERESTS

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

DIRECTORS	ORDINARY SHARES HELD DIRECTLY	ORDINARY SHARES HELD BY COMPANIES IN WHICH A DIRECTOR HAS A BENEFICIAL INTEREST*	OPTIONS HELD DIRECTLY
Mr AG Rydge	1,526,455	56,165,337	–
Mr AJ Clark	40,000	–	–
Mr TC Ford	–	10,000	–
Mr RM Graham	10,626	–	–
Ms M Hellicar	–	–	–
Mr DC Seargeant	25,000	–	1,150,000

\* Relevant interest under the Corporations Act 2001 differs from the disclosure required under Australian Accounting Standards as presented in Note 36 of the Financial Report.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's Constitution provides an indemnity to each person, including Messrs AG Rydge, AJ Clark, TC Ford, RM Graham, and DC Seargeant and Ms M Hellicar 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 which 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.

## ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and 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.

Dated at Sydney this 26th day of August 2004.

Signed in accordance with a resolution of the Directors:



AG Rydge  
Director



DC Seargeant  
Director

# STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Revenue from sale of goods		143,037	100,153	-	-
Revenue from rendering of services		297,254	178,407	-	-
Other revenues from ordinary activities		41,206	90,488	28,187	29,540
<b>Total revenue from ordinary activities</b>	3	<b>481,497</b>	369,048	<b>28,187</b>	29,540
Depreciation and amortisation expenses	4(a)	(28,938)	(22,721)	(55)	(60)
Borrowing costs	4(a)	(14,784)	(15,274)	(9,361)	(13,266)
Employee expenses		(118,063)	(92,098)	(5,049)	(4,615)
Film hire and other film expenses		(90,502)	(45,449)	-	-
Occupancy expenses		(85,498)	(37,980)	(1)	(1)
Purchases and other direct expenses		(45,482)	(36,403)	-	-
Advertising, commissions and marketing expenses		(14,608)	(10,936)	(618)	(569)
Carrying value of non-current assets sold		(704)	(78,406)	(158)	(496)
Book value of controlled entity sold		-	(8,000)	-	(1,462)
Book value of associated entity sold		(4,082)	-	-	-
Write-down in goodwill and other intangibles relating to German cinema operations		(65,039)	-	-	-
Provision for diminution in carrying value of loan to an associate		-	(2,086)	-	-
Write-off of loan to a controlled entity		-	-	-	(3,614)
Other expenses from ordinary activities		(48,200)	(21,081)	(2,285)	(2,922)
Share of net profits/(losses) accounted for using the equity method:					
Associates	34	(2,058)	4,238	-	-
Partnerships	35	20,326	12,217	-	-
Unit trusts	35	1,232	2,489	-	-
<b>(Loss)/profit from ordinary activities before income tax expense</b>	4	<b>(14,903)</b>	17,558	<b>10,660</b>	2,535
Income tax expense relating to ordinary activities	6(a)	(16,193)	(9,751)	(3,957)	(1,757)
<b>(Loss)/profit from ordinary activities after income tax expense</b>		<b>(31,096)</b>	7,807	<b>6,703</b>	778
Profit from extraordinary item after related income tax expense	7	-	22,479	-	-
<b>Net (loss)/profit</b>		<b>(31,096)</b>	30,286	<b>6,703</b>	778
Net profit attributable to outside equity interests		(72)	-	-	-
<b>Net (loss)/profit attributable to members of the parent entity</b>		<b>(31,168)</b>	30,286	<b>6,703</b>	778
<b>Non-owner transaction changes in equity</b>					
Equity accounted increase/(decrease) in foreign currency translation reserve of associates	25	350	(1,324)	-	-
Net decrease in retained earnings on the initial adoption of:					
Revised AASB 1028 "Employee Benefits"	26	-	(102)	-	(4)
Revised AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	26	-	(14,681)	-	-
Net exchange difference on translation of financial statements of self-sustaining foreign operations	25	(2,194)	(2,818)	-	-
		(2,194)	(17,601)	-	(4)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(1,844)	(18,925)	-	(4)
<b>Total changes in equity from non-owner related transactions attributable to the members of the parent entity</b>		<b>(33,012)</b>	11,361	<b>6,703</b>	774
Basic earnings per share	9	\$(0.25)	\$0.24		
Diluted earnings per share	9	\$(0.25)	\$0.24		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 36 to 89.

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Current Assets</b>					
Cash assets	10	25,305	15,215	101	97
Receivables	11	28,312	36,560	1,448	262
Inventories	12	12,696	9,136	–	–
Other	15	6,148	4,123	87	39
<b>Total current assets</b>		<b>72,461</b>	<b>65,034</b>	<b>1,636</b>	<b>398</b>
<b>Non-Current Assets</b>					
Receivables	11	31,299	24,779	241,638	277,575
Other financial assets	13	13,945	14,021	54,791	54,948
Investments accounted for using the equity method	14	172,232	255,869	–	–
Property, plant and equipment	16	416,167	330,954	176	216
Intangible assets	17	12,808	9,878	–	–
Deferred tax assets	6(d)	14,483	13,997	14,165	13,896
Other	18	11,464	2,845	–	–
<b>Total non-current assets</b>		<b>672,398</b>	<b>652,343</b>	<b>310,770</b>	<b>346,635</b>
<b>Total assets</b>		<b>744,859</b>	<b>717,377</b>	<b>312,406</b>	<b>347,033</b>
<b>Current Liabilities</b>					
Payables	19	59,304	32,908	883	1,279
Interest bearing liabilities	20	25,522	37,006	1,102	1,141
Current tax liabilities	6(b)	8,847	3,185	8,613	3,008
Provisions	22	14,725	8,259	598	730
Other	23	13,847	11,079	–	–
<b>Total current liabilities</b>		<b>122,245</b>	<b>92,437</b>	<b>11,196</b>	<b>6,158</b>
<b>Non-Current Liabilities</b>					
Payables	19	4,702	2,220	–	99
Interest bearing liabilities	20	211,307	170,897	89,467	118,383
Deferred tax liabilities	6(c)	9,516	11,139	8,483	10,116
Provisions	22	20,569	21,517	634	752
Other	23	6,400	528	–	–
<b>Total non-current liabilities</b>		<b>252,494</b>	<b>206,301</b>	<b>98,584</b>	<b>129,350</b>
<b>Total liabilities</b>		<b>374,739</b>	<b>298,738</b>	<b>109,780</b>	<b>135,508</b>
<b>Net assets</b>		<b>370,120</b>	<b>418,639</b>	<b>202,626</b>	<b>211,525</b>
<b>Equity</b>					
Contributed equity	24	89,311	89,311	89,311	89,311
Reserves	25	90,117	91,961	36,259	36,259
Retained earnings	26	190,597	237,367	77,056	85,955
<b>Total parent equity interests</b>		<b>370,025</b>	<b>418,639</b>	<b>202,626</b>	<b>211,525</b>
Outside equity interests		95	–	–	–
<b>Total equity</b>		<b>370,120</b>	<b>418,639</b>	<b>202,626</b>	<b>211,525</b>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 36 to 89.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		482,393	295,547	-	-
Cash payments in the course of operations		(451,450)	(265,245)	(12,429)	(8,911)
Dividends received		716	833	716	674
Interest received		2,275	1,310	219	207
Distributions from partnerships and associates		41,065	23,780	-	-
Other revenue		21,594	18,673	1,113	1,505
Borrowing costs paid		(13,272)	(14,683)	(9,361)	(6)
Income tax refunds		28	1,637	-	-
Income taxes paid		(12,892)	(9,945)	(1,085)	(1,066)
Extraordinary item – net settlement associated with Thredbo road collapse		-	21,399	-	-
<b>Net cash provided/(used) by operating activities</b>	39(ii)	<b>70,457</b>	<b>73,306</b>	<b>(20,827)</b>	<b>(7,597)</b>
<b>Cash flows from investing activities</b>					
Proceeds from disposal of investments		819	22,211	819	750
Proceeds from disposal of non-current assets		438	521	-	-
Payments for property, plant and equipment		(18,606)	(20,761)	(15)	(86)
Proceeds from sale of a 50% interest in a controlled entity		-	26,407	-	-
Proceeds from sale of an associated entity		7,599	-	-	-
Net cash received on acquisition of controlled entity (net of acquisition costs)		6,172	-	-	-
Payments for increase in investments in associates, partnerships and unit trusts		(51,951)	(40,516)	-	(13,750)
Decrease/(increase) in loans to other entities		417	303	(37)	59
Decrease in loans to associates and partnerships		17,287	33,080	-	-
<b>Net cash (used)/provided by investing activities</b>		<b>(37,825)</b>	<b>21,245</b>	<b>767</b>	<b>(13,027)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		100,364	32,281	-	-
Repayment of borrowings		(108,066)	(107,782)	-	-
Dividends paid		(15,602)	(13,730)	(15,602)	(13,730)
Decrease in intercompany receivables		-	-	35,705	33,456
<b>Net cash (used)/provided by financing activities</b>		<b>(23,304)</b>	<b>(89,231)</b>	<b>20,103</b>	<b>19,726</b>
Net increase/(decrease) in cash held		9,328	5,320	43	(898)
Effect of exchange rate fluctuations on the balance of cash held in foreign currencies		403	-	-	-
Cash at the beginning of the financial year		15,739	10,419	(1,044)	(146)
<b>Cash at the end of the financial year</b>	39(i)	<b>25,470</b>	<b>15,739</b>	<b>(1,001)</b>	<b>(1,044)</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 36 to 89.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this Financial Report, are:

### a) Basis of preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity and are consistent with those of the previous financial year.

### b) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities (the "consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between entities included in the consolidated financial statements have been eliminated.

The consolidated financial statements of the Company have not recognised the liabilities of controlled entities incurred in their capacity as trustees. These liabilities are offset by a "right of indemnity over trust assets" for liabilities incurred by the trustees on behalf of the trusts. Should the trust assets be insufficient to settle trust liabilities, a provision for deficiency is raised in the trustee's financial statements.

### c) Revenue recognition

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

#### Sale of goods

Revenue from the sale of goods comprises revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the consolidated entity. Revenue from the sale of goods is recognised when the control of goods passes to the customer.

#### Rendering of services

Revenue from rendering services is recognised in the period in which the service is provided.

#### Interest revenue

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

#### Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

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.

### d) 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.

### e) Foreign currency

#### Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts receivable and payable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the year in which the exchange rates change, except where:

- hedging specific anticipated transactions or net investments in self-sustaining operations (see Note 1(f));
- relating to amounts receivable or payable in foreign currency forming part of a net investment in a self-sustaining foreign operation. In this case, the exchange difference, together with any related income tax expense/revenue, is transferred to the foreign currency translation reserve on consolidation; and
- relating to acquisition of qualifying assets (see Note 1(g)).

## e) Foreign currency continued

### Translation of controlled foreign entities

The assets and liabilities of foreign operations, that are self-sustaining, are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal, of the operations.

For integrated operations, the translated amounts for non-monetary assets, other than inventories, are compared to recoverable amounts translated at spot rates at reporting dates and any excess is expensed.

The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of is transferred to retained earnings in the year of disposal.

## f) Derivatives

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity uses the following derivative financial instruments to hedge these risks: interest rate swaps; forward rate agreements; interest rate options; and forward foreign exchange contracts and options. Derivative financial instruments are not held for speculative purposes.

### Hedges

Where hedge transactions are designated as a hedge of the anticipated purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. The net receivables or payables are revalued using the foreign currency rates current at reporting date.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains and losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains and losses that arose on the hedge prior to its termination are included in the statement of financial performance for the period.

### Interest rate swaps and forward rate agreements

Interest payments and receipts under interest rate swap contracts and realised gains and losses on forward rate agreements are recognised on an accruals basis in the statement of financial performance as an adjustment to interest expense during the period.

### Interest rate options

Interest rate options are used to hedge interest rate exposures. The premiums paid on interest rate options and any realised gains or losses on exercise are included in other assets and are amortised to interest expense over the terms of the agreements.

### Forward foreign exchange contracts and options

Forward foreign exchange contracts and options are accounted for as described under hedges above.

### Net investment in foreign operation

Foreign exchange differences relating to foreign currency transactions hedging a net investment in a self-sustaining foreign operation, together with any related income tax expense/revenue, are transferred to the foreign currency translation reserve on consolidation.

## g) Borrowing costs

Borrowing 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.

Borrowing 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 those 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 capitalisation rate.

## h) Taxation

### Income tax

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating loss/profit from ordinary activities adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### h) Taxation continued

#### Capital gains tax

Capital gains tax is provided in the statement of financial performance in the period in which an asset is sold.

The tax effect of capital losses is not recorded unless realisation is virtually certain.

#### Tax consolidation regime

The Company is the head entity in the tax consolidated group comprising all the Australian wholly-owned subsidiaries and unit trusts set out in Note 33. The implementation date for the tax consolidated group was 1 July 2002. The head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of the intragroup transactions).

The tax consolidated group has entered into a tax funding agreement that requires Australian wholly-owned subsidiaries and unit trusts to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a “stand-alone basis” so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries and unit trusts. 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 assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

### i) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net loss or profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company, adjusted for any bonus elements in ordinary shares issued during the period.

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.

### j) Investments

#### Controlled entities

Investments in controlled entities are carried in the Company’s financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statements of financial performance when they are received.

#### Associates

An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity’s share of the associates’ net loss or profit after tax is recognised in the consolidated statement of financial performance after adjustments for revisions in depreciation of depreciable assets and amortisation of goodwill arising from notional adjustments made as at the date of acquisition; dissimilar accounting policies; and the elimination of unrealised profits and losses on transactions between the associate and any entities in the consolidated entity or another associate of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

#### Partnerships

The consolidated entity’s interests in partnerships are accounted for using equity accounting principles in the consolidated financial statements.

The interest is carried at the lower of the equity accounted carrying amount and recoverable amount. The equity accounted carrying amount is cost plus the consolidated entity’s share of the partnership’s results less drawings. The consolidated entity’s share of the partnership’s result is included in the consolidated operating result from ordinary activities for the period after adjustments for revisions in depreciation of depreciable assets and amortisation of goodwill arising from notional adjustments made as at the date of acquisition.

#### Other companies and unit trusts

Investments in other companies and unit trusts are carried at the lower of cost or recoverable amount.

### k) Property, plant and equipment

#### Revaluation

Land and buildings are independently valued by qualified valuers at least every three years. The current values of those assets are recorded by way of a note to the financial statements unless specifically stated otherwise. This is in addition to the annual review for recoverable amount referred to in Note 1(r).

## k) Property, plant and equipment continued

### Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated or amortised over their estimated useful lives using the straight-line method.

The depreciation or amortisation rates used for each class of asset are as follows:

	2004	2003
Freehold buildings	1.25% to 2.5%	1.25% to 2.5%
Leasehold buildings and improvements	Term of lease	Term of lease
Plant and equipment	5.0% to 20.0%	5.0% to 20.0%
Leased plant and equipment	5.0% to 20.0%	5.0% to 20.0%

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 and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

### Leased plant and equipment

Leases of 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 periods in which they are incurred. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the statements of financial performance.

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.

## l) Acquisition of assets

All assets acquired including property, plant and equipment and intangibles are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

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 consolidated entity 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.

## m) Revisions of accounting estimates

The preparation of the Financial Report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. 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 judgments 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 prospectively in current and future periods only.

## n) 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.

## o) Contract work in progress

For short-term contracts, profit is brought to account on completion of each job.

For long-term contracts, profit recognition commences on 50% completion of each job.

## p) Construction rights

Construction rights relate to a controlled entity's ability to develop accommodation in the Thredbo Alpine Resort. The costs are being 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.

## q) Goodwill

Goodwill, representing excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity or the acquisition of assets of another entity, is amortised on a straight-line basis over a period not exceeding 20 years, being the period during which benefits are expected to arise.

The unamortised balance of goodwill is reviewed at least each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### r) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written-down to the lower amount. The write-down is recognised as an expense in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

### s) Non-current receivables

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 interest income.

### t) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

### u) Bank loans

Bank overdrafts, bank bills payable and bank loans are carried on the statement of financial position at their principal amount, subject to set-off arrangements in respect of bank overdrafts. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals".

### v) Provisions

#### Employee benefits

Provision is made for employee benefits including annual leave and the retirement benefits of non-executive Directors. The provision represents the amount which the consolidated entity has a present obligation to pay resulting from the employees' services provided up to the balance 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 balance 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 balance 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 consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

#### Doubtful debts

The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

#### 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.

#### Insurance loss contingencies

Certain insurance policies of the consolidated entity contain an excess clause and provision has been made to cover such excess that may be incurred as a consequence of any likely claims.

### w) Superannuation plans

The Company and other controlled entities contribute 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.

Further information is set out in Note 28.

### x) Employee share and option plans

#### Employee share plan

The Company has issued shares to certain employees under an employee share plan. Further information is set out in Note 28. Other than costs incurred in administering the scheme which are expensed as incurred, the scheme does not result in any expense to the consolidated entity.

#### Share option plans

The Company has granted options to certain employees under a Management Share Option Plan.

No accounting entries are made in relation to the Management Share Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of Directors and executives in Note 36 include an amount in respect of options on issue that had not vested prior to commencement of the reporting period.

## x) Employee share and option plans continued

### Share option plans continued

Amounts disclosed in Note 36 for remuneration relating to share options have been determined in line with the requirements of accounting standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" and in accordance with the guidelines issued by ASIC. AASB 1046 requires the options to be valued at the time they are granted 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 options using a binomial option pricing model. Factors taken into account by the binomial option pricing model include the exercise price, the term of the option, the current price and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Under the requirements of AASB 1046, vesting conditions have not been taken into account in determining the fair value of the options at the grant date. It has also been assumed that all options will eventually vest. Further information on share options is set out in Note 28.

## NOTE 2 – CHANGE IN ACCOUNTING POLICY OR APPLICATION OF POLICY

There were no changes to accounting policies or their application during the year.

Changes to accounting policies for the 2003 comparatives arising from the initial adoption of AASB 1012 "Foreign Currency Translation", AASB 1028 "Employee Benefits" and AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" were disclosed in the prior year financial report.

	NOTE	CONSOLIDATED 2004 \$000	2003 \$000	COMPANY 2004 \$000	2003 \$000
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## NOTE 3 – REVENUE FROM ORDINARY ACTIVITIES

### Revenue from operating activities\*

Sale of goods		143,037	100,153	–	–
Rendering of services		297,254	178,407	–	–
		440,291	278,560	–	–

### Other revenue

Dividends received and receivable from:

Controlled entities		–	–	7	7
Other persons		716	674	716	674
		716	674	723	681

Interest received and receivable from:

Associates		86	476	–	–
Controlled entities	37	–	–	16,101	17,996
Other persons		2,189	834	219	208
		2,275	1,310	16,320	18,204

Management and consulting fees received and receivable from:

Associates	37	1,266	934	500	404
Controlled entities	37	–	–	9,809	8,021
Partnerships	35	7,582	5,233	–	–
Other persons		7,026	4,961	–	–
		15,874	11,128	10,309	8,425

Rental income received and receivable from:

Associates	37	235	194	–	–
Partnerships		6	20	–	–
Other persons		7,144	5,268	–	–
		7,385	5,482	–	–

Other		505	154	13	19
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000

## NOTE 3 – REVENUE FROM ORDINARY ACTIVITIES CONTINUED

### Revenue from outside operating activities

Amounts received from the sale of a 50% interest in a controlled entity	4(b)	–	26,407	–	–
Amounts received or receivable from sale of non-current assets	4(a)	1,468	45,333	822	2,211
Amounts received or receivable from the sale of one-third interest in an associated entity	4(b)	12,983	–	–	–
<b>Total other revenue</b>		<b>41,206</b>	<b>90,488</b>	<b>28,187</b>	<b>29,540</b>
<b>Total revenue from ordinary activities</b>		<b>481,497</b>	<b>369,048</b>	<b>28,187</b>	<b>29,540</b>
<b>Revenue including share of sales revenue for partnerships and unit trusts:</b>					
Revenue as listed above		481,497	369,048	28,187	29,540
Partnerships**	35	230,011	143,772	–	–
Unit trusts**	35	12,309	11,190	–	–
		<b>723,817</b>	<b>524,010</b>	<b>28,187</b>	<b>29,540</b>

\* The total increase in sale of goods and rendering of services has been impacted by the acquisition of the further 50% interest in Kieft & Kieft Filmtheater GmbH on 2 December 2003. The financial statements of Kieft & Kieft Filmtheater GmbH have been consolidated from that date. Further details are provided in Note 32.

\*\* To more fairly reflect the operations of the consolidated entity, revenue disclosed includes the consolidated entity's share of the sales revenue earned by partnerships and unit trusts. The share of sales revenue of each partnership and unit trust is disclosed at Note 35.

## NOTE 4 – (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

### (a) Expenses and losses/(gains)

(Loss)/profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:

Cost of goods sold		46,228	33,550	–	–
Borrowing costs:					
Associates		285	4	4	4
Controlled entities	37	–	–	9,298	13,261
Other persons		13,508	15,266	59	1
Finance charges on capitalised leases		991	4	–	–
		<b>14,784</b>	<b>15,274</b>	<b>9,361</b>	<b>13,266</b>
Net bad and doubtful debts expense including movement in the provision for doubtful debts		237	175	–	–
Amortisation of:					
Construction rights		243	179	–	–
Other		237	645	–	–
Intangibles (excluding unusual items listed in Note 4(b))		1,175	1,558	–	–
Leased plant and equipment		16	60	–	–
Leasehold buildings		3,483	2,286	–	–
		<b>5,154</b>	<b>4,728</b>	<b>–</b>	<b>–</b>
Depreciation		23,784	17,993	55	60
Total depreciation and amortisation (excluding unusual items listed in Note 4(b))		<b>28,938</b>	<b>22,721</b>	<b>55</b>	<b>60</b>
Net expense from movements in provision for:					
Employee benefits		5,403	4,925	102	375
Onerous contracts		(1,742)	(2,827)	–	–
Insurance loss contingencies and other		2,765	463	–	–
		<b>6,426</b>	<b>2,561</b>	<b>102</b>	<b>375</b>
Net foreign exchange losses		204	263	–	–
Operating lease rental expense		58,366	18,183	36	50
Net gain on sale of investments (excluding unusual items listed in Note 4(b))		(663)	(1,729)	(663)	(1,715)
Net loss on sale of property, plant and equipment		107	453	–	–

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 4 – (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE CONTINUED

### (b) Unusual items

(Gain)/loss from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

Profit on sale of 50% of Atlab group	–	(18,230)	–	–
Profit on sale of interest in an associate entity – Val Morgan Holdings Pty Limited	(8,901)	–	–	–
German cinema operations				
Write-down in goodwill and other intangibles	65,039	–	–	–
Amortisation of goodwill subsequently written-off	1,373	–	–	–
Loss on disposal of a controlled entity	–	–	–	5,075
Loss on sale of investment in Village Roadshow Corporation Limited	–	35,106	–	–
Provision for diminution in carrying value of loan to an associate	–	2,086	–	–
Recoveries of loan to an associate for which a provision for diminution had been raised in previous years	–	(350)	–	–
<b>Unusual items in equity accounted results</b>				
Share of write-downs of non-current assets of Kieft & Kieft Filmtheater GmbH (refer Note 34)	15,232	–	–	–
Share of provision for lease terminations in cinema partnerships	1,509	–	–	–
Share of write-downs in respect of non-performing cinema sites in an associate and a partnership	–	6,187	–	–
	<b>74,252</b>	<b>24,799</b>	<b>–</b>	<b>5,075</b>

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$

## NOTE 5 – AUDITORS' REMUNERATION

Audit services:

Auditors of the Company – KPMG (Australian firm)	863,514	765,651	208,501	204,432
Other international KPMG related practices	160,256	50,665	–	–
	<b>1,023,770</b>	<b>816,316</b>	<b>208,501</b>	<b>204,432</b>

Other services:

Auditors of the Company – KPMG (Australian firm)				
Tax compliance	105,705	115,584	54,104	29,603
Tax consolidation regime advice	158,322	29,370	158,322	29,370
Borrowing covenant compliance assurance	3,000	6,000	3,000	6,000
Other	16,955	34,776	1,508	21,736
	<b>283,982</b>	<b>185,730</b>	<b>216,934</b>	<b>86,709</b>
Other international KPMG related practices				
International tax compliance	136,755	59,617	–	–
Other	14,513	4,319	–	–
	<b>151,268</b>	<b>63,936</b>	<b>–</b>	<b>–</b>
	<b>435,250</b>	<b>249,666</b>	<b>216,934</b>	<b>86,709</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 6 – TAXATION

### (a) Income tax expense

Prima facie income tax (benefit)/expense calculated at 30% on the (loss)/profit from ordinary activities

	<b>(4,472)</b>	5,267	<b>3,198</b>	761
Increase in income tax (benefit)/expense due to:				
Depreciation/amortisation of buildings	<b>1,009</b>	848	–	–
Amortisation of intangibles	<b>852</b>	596	–	–
Write-down goodwill and intangibles	<b>19,513</b>	–	–	–
Depreciation of plant and equipment	<b>179</b>	179	–	–
Capital losses not deductible	–	10,531	–	1,522
Capital gain offset by capital losses in controlled entity	–	–	<b>1,049</b>	–
Share of associates' net loss	<b>617</b>	–	–	–
Provision for diminution in carrying value of investments and loans in partnerships and associates	–	626	–	–
Provision for lease terminations in cinema partnerships	<b>453</b>	–	–	–
Partnership deferred income tax adjustments	<b>1,233</b>	1,343	–	–
Tax losses of non-resident controlled entity not carried forward as future income tax benefit	<b>1,097</b>	35	–	–
Net higher overseas tax rate	<b>75</b>	18	–	–
Sundry items	–	230	<b>219</b>	244
	<b>25,028</b>	14,406	<b>1,268</b>	1,766
Decrease in income tax (benefit)/expense due to:				
Franking credits on dividends received	<b>310</b>	291	<b>310</b>	291
Share of associates' net profit	–	1,223	–	–
Capital profits offset by capital losses	<b>2,758</b>	6,520	<b>199</b>	515
Tax depreciation on building devaluation decrement	<b>292</b>	254	–	–
Notional interest on deferred settlement	<b>416</b>	–	–	–
Sundry items	<b>116</b>	–	–	–
	<b>3,892</b>	8,288	<b>509</b>	806
Income tax underprovided in prior year	<b>76</b>	439	–	36
Income tax attributable to (loss)/profit from ordinary activities before unusual income tax items	<b>16,740</b>	11,824	<b>3,957</b>	1,757
Unusual income tax items:				
Adjustments to deferred tax balances due to entry into the tax consolidation regime	<b>(547)</b>	(2,073)	–	–
<b>Income tax expense attributable to (loss)/profit from ordinary activities</b>	<b>16,193</b>	9,751	<b>3,957</b>	1,757
Income tax expense attributable to (loss)/profit from ordinary activities is made up of:				
Current income tax provision	<b>17,275</b>	10,322	<b>3,881</b>	1,817
Deferred income tax provision	<b>(710)</b>	(2,480)	<b>(1)</b>	(2)
Future income tax benefit	<b>(761)</b>	1,628	<b>77</b>	(94)
Tax effect on hedged investment in self-sustaining foreign operations eliminated against the foreign currency translation reserve	<b>313</b>	(158)	–	–
Income tax underprovided in prior year	<b>76</b>	439	–	36
	<b>16,193</b>	9,751	<b>3,957</b>	1,757

CONSOLIDATED		COMPANY	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

## NOTE 6 – TAXATION CONTINUED

### (b) Current tax liabilities

#### Provision for current income tax

Movements during the year:

Balance at the beginning of the year	3,185	2,042	3,008	906
Income tax paid	(12,892)	(9,945)	(11,616)	(778)
Current year's income tax expense on operating (loss)/profit	17,275	10,322	3,881	1,817
Current year's income tax provision in respect of controlled entities transferred in	–	–	12,314	–
Income tax attributable to extraordinary items	–	(1,080)	–	–
Tax refunds received	28	1,637	–	–
Tax losses transferred	437	–	437	(290)
Transfer on entry to tax consolidation regime	–	–	–	1,317
Income tax underprovided in prior year	814	209	589	36
	<b>8,847</b>	<b>3,185</b>	<b>8,613</b>	<b>3,008</b>

### (c) Deferred tax liabilities

#### Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:

Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	4,744	6,420	3,773	5,397
Interest and holding charges capitalised	1,356	1,559	1,356	1,559
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	720	817	720	817
Prepayments	106	232	106	232
Share of partnership timing differences	1,785	1,689	1,785	1,689
Sundry items	805	422	743	422
	<b>9,516</b>	<b>11,139</b>	<b>8,483</b>	<b>10,116</b>

### (d) Deferred tax assets

#### Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:

Provisions and accrued employee benefits not currently deductible	8,978	9,319	8,888	9,218
Unrealised foreign exchange losses not currently deductible	558	187	562	187
Deferred revenue	1,428	168	1,415	168
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	1,948	2,308	1,945	2,308
Share of partnership timing differences	999	832	999	832
Tax losses carried forward	319	437	121	437
Sundry items	253	746	235	746
	<b>14,483</b>	<b>13,997</b>	<b>14,165</b>	<b>13,896</b>

#### Future income tax benefits not taken to account

The potential future income tax benefits in controlled entities, which are companies, arising from tax losses have not been recognised as an asset because recovery of tax losses is not virtually certain:

Capital losses	15,162	16,533	15,162	12,246
Revenue losses	30,882	–	–	–
	<b>46,044</b>	<b>16,533</b>	<b>15,162</b>	<b>12,246</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 6 – TAXATION CONTINUED

The potential future income tax benefits will only be obtained if:

- (i) the relevant companies derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the relevant companies and/or the consolidated entity continue to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant companies and/or the consolidated entity in realising the benefit.

### Tax consolidation legislation

In the previous financial year, the Company and its wholly-owned Australian subsidiaries and unit trusts elected to implement the tax consolidation legislation as of 1 July 2002. The entities have entered into a tax funding agreement. As a consequence, the Company, as head entity in the tax consolidated group, has recognised current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax funding agreement have been recognised separately by the Company as tax-related amounts receivable or payable. The impact of entering into the tax funding agreement has not had a material impact on the results, assets or liabilities of either the Company or consolidated entity.

The financial effect of the implementation of the legislation was recognised in the 30 June 2003 financial statements as an unusual income tax credit amounting to \$2,073,000 and \$547,000 in the year to 30 June 2004.

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 7 – EXTRAORDINARY ITEM

Net settlement associated with Thredbo road collapse	-	21,399	-	-
Income tax effect	-	1,080	-	-
	-	22,479	-	-

During the previous financial year, a controlled entity settled its damages claim against the State of New South Wales and others. The receipt of the settlement brought to an end the consolidated entity's involvement in Supreme Court litigation arising out of the 1997 Thredbo Road collapse.

	CENTS PER SHARE	TOTAL AMOUNT \$000	DATE OF PAYMENT	TAX RATE FOR FRANKING CREDIT	PER-CENTAGE FRANKED
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## NOTE 8 – DIVIDENDS

Dividends on ordinary shares paid by the Company during the year are:

2004					
Interim 2004 dividend paid	6.0	7,489	18 Mar 2004	30%	100%
Final 2003 dividend paid	6.5	8,113	18 Sep 2003	30%	100%
		15,602			
2003					
Interim 2003 dividend paid	5.0	6,241	27 Mar 2003	30%	100%
Final 2002 dividend paid	6.0	7,489	3 Oct 2002	30%	100%
		13,730			

### Subsequent events

Since the end of the financial year, the Directors declared the following dividends:

Final	7.0	8,737	22 Sep 2004	30%	100%
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The financial effect of this final dividend in respect of the financial year has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent Financial Reports.

There are no shareholders' dividend plans in operation.

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 8 – DIVIDENDS CONTINUED

### Dividend franking account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends:

Class C 30% (2003: 30%) franking credits	<b>86,878</b>	77,502	<b>86,878</b>	77,502
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The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at year end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

## NOTE 9 – EARNINGS PER SHARE

### Classification of securities as potential ordinary shares

Options outstanding under the Management Share Option Plan, that have dilutive potential have been classified as potential ordinary shares and included in the calculation of diluted earnings per share.

Further details of share options are contained in Note 28.

	CONSOLIDATED	
	2004	2003
	\$000	\$000

### Earnings reconciliation

Net (loss)/profit	<b>(31,168)</b>	30,286
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<b>Basic and diluted earnings</b>	<b>(31,168)</b>	30,286
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	NUMBER	NUMBER
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Weighted average number of ordinary shares used as the denominator:

Number for basic earnings per share	<b>124,814,442</b>	124,814,442
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Effect of management share options on issue	<b>723,465</b>	134,320
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<b>Number for diluted earnings per share</b>	<b>125,537,907</b>	124,948,762
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	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 10 – CASH ASSETS

Cash on hand and on deposit	<b>25,305</b>	15,215	<b>101</b>	97
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000

## NOTE 11 – RECEIVABLES

### Current

Trade debtors		17,728	11,709	–	–
Less: Provision for doubtful trade debtors		(1,342)	(931)	–	–
		16,386	10,778	–	–
Other debtors		8,822	8,060	199	262
Less: Provision against recovery		–	(700)	–	–
		8,822	7,360	199	262
Loans to associates		5,520	15,865	1,249	–
Less: Provision against recovery		(2,962)	–	–	–
		2,558	15,865	1,249	–
Loans to partnerships		381	2,033	–	–
Short-term deposits		165	524	–	–
		28,312	36,560	1,448	262

### Non-current

Loans to associates		143	208	–	–
Loans to controlled entities	37	–	–	239,913	275,788
Loans provided under employee share plan	28	1,725	1,787	1,725	1,787
Deferred consideration receivable		29,431	22,784	–	–
		31,299	24,779	241,638	277,575

## NOTE 12 – INVENTORIES

### At cost:

Raw materials and stores		4,659	3,450	–	–
Work in progress		2,087	286	–	–
Finished goods		5,950	5,400	–	–
		12,696	9,136	–	–

## NOTE 13 – OTHER FINANCIAL ASSETS

### Non-current

#### Investments (unquoted)

#### At cost:

Controlled entities	33	–	–	37,189	37,189
Associates		–	–	13,750	13,750
		–	–	50,939	50,939

#### Investments in other companies

#### At cost:

Quoted <sup>(1)</sup>		12,107	12,263	3,852	4,009
Unquoted		1,838	1,758	–	–
		13,945	14,021	54,791	54,948

#### Quoted market value at 30 June 2004

<sup>(1)</sup> Shares in listed public companies		32,119	27,899	20,339	19,981
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For details relating to options granted over shares in a quoted company, refer to Note 40.

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>NOTE 14 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>					
Associates	34	55,869	121,729	-	-
Partnerships	35	116,363	121,311	-	-
Unit trust – at cost	35	-	12,829	-	-
		<b>172,232</b>	255,869	-	-
<b>NOTE 15 – OTHER CURRENT ASSETS</b>					
Construction rights – net	18	246	187	-	-
Deferred borrowing costs – net	18	334	916	-	-
Prepayments		3,852	2,723	87	39
Property, plant and equipment held for resale		1,474	-	-	-
Sundry		242	297	-	-
		<b>6,148</b>	4,123	87	39
<b>NOTE 16 – PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Freehold land and buildings</b>					
At cost		246,778	262,925	-	-
Less: Accumulated depreciation		(40,013)	(40,537)	-	-
		<b>206,765</b>	222,388	-	-
<b>Land subject to long-term lease</b>					
At cost		56	56	-	-
At cost and subject to long-term finance lease		8,097	-	-	-
		<b>8,153</b>	56	-	-
<b>Buildings and improvements subject to long-term lease</b>					
At cost		73,047	59,740	-	-
At cost and subject to long-term finance lease		28,661	-	-	-
Less: Accumulated amortisation		(30,992)	(25,547)	-	-
		<b>70,716</b>	34,193	-	-
<b>Capital works in progress</b>					
At cost		1,126	1,134	-	-
<b>Plant and equipment</b>					
At cost		336,538	187,898	806	791
Less: Accumulated depreciation		(207,140)	(114,739)	(630)	(575)
		<b>129,398</b>	73,159	176	216
<b>Leased plant and equipment</b>					
At capitalised cost		83	79	-	-
Less: Accumulated amortisation		(74)	(55)	-	-
		<b>9</b>	24	-	-
<b>Total property, plant and equipment at net book value</b>		<b>416,167</b>	330,954	176	216

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 16 – PROPERTY, PLANT AND EQUIPMENT CONTINUED

### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous year are set out below:

#### Freehold land and buildings

Carrying amount at the beginning of the year	222,388	213,094	-	-
Additions	1,421	1,282	-	-
Transfer from capital works in progress	-	14,696	-	-
Transfer to property, plant and equipment held for resale	(1,471)	-	-	-
Reclassification to leasehold buildings	(13,486)	-	-	-
Net foreign currency differences on translation of self-sustaining operations	833	83	-	-
Disposals through part sale of entities	-	(3,325)	-	-
Disposals – other	(23)	(16)	-	-
Depreciation and carrying value adjustments	(2,897)	(3,426)	-	-
Carrying amount at the end of the year	206,765	222,388	-	-

#### Land subject to long-term finance lease

Carrying amount at the beginning of the year	56	56	-	-
Acquisition through entity acquired	7,600	-	-	-
Net foreign currency differences on translation of self-sustaining operations	497	-	-	-
Carrying amount at the end of the year	8,153	56	-	-

#### Buildings and improvements subject to long-term leases

Carrying amount at the beginning of the year	34,193	33,826	-	-
Additions	467	495	-	-
Acquisitions through entity acquired	22,280	2,147	-	-
Reclassification from freehold buildings	13,486	-	-	-
Transfer from capital works in progress	2,342	59	-	-
Net foreign currency differences on translation of self-sustaining operations	1,524	9	-	-
Disposals	(93)	(57)	-	-
Depreciation	(3,483)	(2,286)	-	-
Carrying amount at the end of the year	70,716	34,193	-	-

#### Capital works in progress

Carrying amount at the beginning of the year	1,134	11,853	-	-
Net foreign currency differences on translation of self-sustaining operations	7	(24)	-	-
Additions	3,332	10,621	-	-
Transfer from capital works in progress	(3,347)	(21,316)	-	-
Carrying amount at the end of the year	1,126	1,134	-	-

CONSOLIDATED		COMPANY	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

## NOTE 16 – PROPERTY, PLANT AND EQUIPMENT CONTINUED

### Plant and equipment

Carrying amount at the beginning of the year	73,159	79,905	216	190
Additions	6,967	9,049	15	86
Acquisitions through entity acquired	65,632	90	–	–
Transfer from capital works in progress	1,005	6,561	–	–
Transfer to property, plant and equipment held for resale	(3)	–	–	–
Net foreign currency differences on translation of self-sustaining operations	4,333	13	–	–
Disposals through part sale of entities	–	(6,992)	–	–
Disposals	(429)	(900)	–	–
Depreciation	(21,266)	(14,567)	(55)	(60)
Carrying amount at the end of the year	129,398	73,159	176	216

### Leased plant and equipment

Carrying amount at the beginning of the year	24	1,718	–	–
Additions	–	–	–	–
Net foreign currency differences on translation of self-sustaining operations	1	–	–	–
Disposals through part sale of entities	–	(1,634)	–	–
Depreciation	(16)	(60)	–	–
Carrying amount at the end of the year	9	24	–	–

### Independent valuations

In determining current values for land, buildings and integral plant and equipment in the consolidated entity's financial statements, Directors have relied upon independent valuations from qualified valuers. The valuations were carried out by Herron Todd White, Jones Lang LaSalle and Birger Ehrenberg (Germany) at 30 June 2004 and Jones Lang LaSalle at 30 June 2003. The valuations are in accordance with the consolidated entity's policy of obtaining independent valuations of land and buildings by qualified valuers at least every three years.

Due to the diversity of the consolidated entity's operations, valuations have been prepared on a highest and best alternate use or existing use – going concern basis. A summary is set out as follows:

Highest and best alternate use:

Independent valuation – 2004	81,665	–	–	–
– 2001	–	22,725	–	–

Existing use:

Independent valuation – 2004	258,437	–	–	–
Independent valuation – 2003	187,317	186,016	–	–
Directors' valuation – 2003	–	20,194	–	–
Independent valuation – 2001	–	181,200	–	–

Total current values	527,419	410,135	–	–
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In determining the current value of land, buildings and integral plant and equipment, the Directors have not taken into account the potential impact of capital gains tax. Any capital gains tax liability is brought to account in the year in which the related assets are sold.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>NOTE 17 – INTANGIBLE ASSETS</b>					
Goodwill – at cost		24,988	19,511	–	–
Less: Accumulated amortisation		(12,443)	(9,894)	–	–
		12,545	9,617	–	–
Liquor licences – at cost		263	261	–	–
		12,808	9,878	–	–
<b>NOTE 18 – OTHER NON-CURRENT ASSETS</b>					
Deferred borrowing costs – net		669	–	–	–
Construction rights – net		1,395	1,697	–	–
Security deposits in respect of long-term operating leases		8,490	–	–	–
Sundry		270	508	–	–
Wildlife		640	640	–	–
		11,464	2,845	–	–
<b>Deferred borrowing costs</b>					
At cost		1,003	2,428	–	–
Less: Accumulated amortisation		–	(1,512)	–	–
		1,003	916	–	–
Split between:					
Current	15	334	916	–	–
Non-current		669	–	–	–
		1,003	916	–	–
<b>Construction rights</b>					
At cost		5,531	5,531	–	–
Less: Accumulated amortisation		(3,890)	(3,647)	–	–
		1,641	1,884	–	–
Split between:					
Current	15	246	187	–	–
Non-current		1,395	1,697	–	–
		1,641	1,884	–	–
<b>NOTE 19 – PAYABLES</b>					
<b>Current</b>					
Trade creditors		21,549	5,818	–	79
Other creditors and accruals		35,608	26,642	883	1,200
Loans from associates		935	448	–	–
Loans from other companies		1,212	–	–	–
		59,304	32,908	883	1,279
<b>Non-current</b>					
Loans from associates		161	260	–	99
Loans from other companies		4,541	1,960	–	–
		4,702	2,220	–	99

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000

## NOTE 20 – INTEREST BEARING LIABILITIES

### Current

Bank overdrafts	– secured	21	–	–	1,102	1,141
Bank bills payable	– secured	21	–	5,000	–	–
Bank loans	– secured	21	16,932	–	–	–
Deferred consideration payable	– secured		–	31,988	–	–
Loans from other companies	– unsecured		7,089	–	–	–
Lease liabilities	– secured	29	1,501	18	–	–
			25,522	37,006	1,102	1,141

### Non-current

Bank bills payable	– secured	21	184,461	170,886	–	–
Loans from controlled entities	– unsecured	37	–	–	89,467	118,383
Lease liabilities	– secured	29	26,846	11	–	–
			211,307	170,897	89,467	118,383

The consolidated entity's bank overdraft facility is subject to a set-off arrangement with funds on deposit of certain controlled entities.

## NOTE 21 – FINANCING ARRANGEMENTS

### Bank loans and working capital facilities

These facilities provide access to the following lines of credit:

Bank overdrafts		5,500	5,500
Bank bills payable		245,606	228,850
Bank loans		16,932	–
		268,038	234,350

Facilities utilised at balance date:

Bank overdrafts		–	–
Bank bills payable		184,461	175,886
Bank loans		16,932	–
		201,393	175,886

Facilities not utilised at balance date:

Bank overdrafts		5,500	5,500
Bank bills payable		61,145	52,964
		66,645	58,464

### Bank bills payable – secured

During the financial year, the consolidated entity renewed its banking facilities for a further three-year period. The facilities comprise an amortising A\$202,785,000 multi-currency revolving loan note issuance facility and an amortising NZ\$23,800,000 revolving loan note issuance facility, maturing on 9 July 2007. The consolidated entity also has working capital facilities including bank overdraft set-off (repayable on demand), cash advance and bank guarantee facilities in amounts totalling A\$35,740,000 (subject to annual review) and comprising A\$25,000,000, NZ\$250,000 and EUR6,000,000. All these facilities are secured by a fixed and floating charge and interlocking guarantees from most Group companies under a Common Security Deed executed in July 2001, amended and restated in June 2004.

### Bank loans – secured

In addition to these facilities, a wholly-owned subsidiary, Kieft & Kieft Filmtheater GmbH, has bank loans outstanding of A\$16,932,000. This amount is required to be amortised by equal monthly repayment instalments over the period to 30 June 2005. A\$14,930,000 of this amount is secured by a charge over cinema equipment and fit-out owned by Kieft & Kieft Filmtheater GmbH.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000

## NOTE 22 – PROVISIONS

### Current

Employee benefits	28	8,911	5,794	598	730
Onerous contracts		2,325	1,742	–	–
Insurance loss contingencies and other claims		3,489	723	–	–
		<b>14,725</b>	8,259	<b>598</b>	730

### Non-current

Employee benefits	28	2,141	2,157	634	752
Onerous contracts		14,078	16,403	–	–
Insurance loss contingencies and other claims		1,870	–	–	–
Support of related entities		2,480	2,957	–	–
		<b>20,569</b>	21,517	<b>634</b>	752

### Reconciliations

Reconciliations of 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		18,145	–	–	–
Adjustment on adoption of AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”		–	20,972	–	–
Provisions utilised during the year		(1,742)	(2,827)	–	–
Carrying amount at the end of the year		<b>16,403</b>	18,145	–	–

#### Insurance loss contingencies and other claims

Carrying amount at the beginning of the year		723	272	–	–
Increase through entity acquired		1,871	–	–	–
Provisions made during the year		2,785	451	–	–
Payments made during the year		(20)	–	–	–
Carrying amount at the end of the year		<b>5,359</b>	723	–	–

#### Support of related entities

Carrying amount at the beginning of the year		2,957	561	–	–
Increase in provision		–	4,657	–	–
Increase through entity acquired		782	–	–	–
Reduction made during the year		(1,259)	(2,261)	–	–
Carrying amount at the end of the year		<b>2,480</b>	2,957	–	–

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 23 – OTHER LIABILITIES

### Current

Deferred revenue	13,847	11,079	–	–
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### Non-current

Deferred revenue	6,400	528	–	–
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## NOTE 24 – CONTRIBUTED EQUITY

### Issued and paid-up capital

124,814,442 (2003: 124,814,442) ordinary shares, fully paid	89,311	89,311	89,311	89,311
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### Movements in ordinary share capital

Balance at the beginning of the year	89,311	89,311	89,311	89,311
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Balance at the end of the year	89,311	89,311	89,311	89,311
--------------------------------	--------	--------	--------	--------

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. Note 28 provides details of ordinary share options.

## NOTE 25 – RESERVES

Asset revaluation	10,847	10,847	13,497	13,497
Asset realisation	81,750	81,750	22,288	22,288
General	735	735	474	474
Foreign currency translation	(3,215)	(1,371)	–	–
	90,117	91,961	36,259	36,259

### Asset revaluation

Balance at the beginning of the year	10,847	11,767	13,497	13,497
--------------------------------------	--------	--------	--------	--------

Transfer to retained earnings upon sale of investment that had previously been equity accounted	–	(920)	–	–
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Balance at the end of the year	10,847	10,847	13,497	13,497
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### Asset realisation

Balance at the beginning of the year	81,750	87,998	22,288	22,288
--------------------------------------	--------	--------	--------	--------

Transfer to retained earnings upon sale of investment that had previously been equity accounted	–	(6,248)	–	–
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Balance at the end of the year	81,750	81,750	22,288	22,288
--------------------------------	--------	--------	--------	--------

### General

Balance at the beginning of the year	735	26,804	474	474
--------------------------------------	-----	--------	-----	-----

Transfer to retained earnings upon sale of investment that had previously been equity accounted	–	(26,069)	–	–
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Balance at the end of the year	735	735	474	474
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 25 – RESERVES CONTINUED

### Foreign currency translation

Balance at the beginning of the year	(1,371)	1,894	-	-
Translation adjustment on controlled foreign entities' financial statements	(2,194)	(2,818)	-	-
Transfer to retained earnings upon sale of investment that had previously been equity accounted	-	877	-	-
Share of associates' increase/(decrement) in foreign currency translation reserve	350	(1,324)	-	-
Balance at the end of the year	(3,215)	(1,371)	-	-

### Asset revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in prior years. The balance of this account is not available for future asset write-downs as a result of using the deemed cost election for land and buildings when adopting AASB 1041 "Revaluation of Non-Current Assets".

### Asset realisation

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to the asset realisation reserve.

### General

The amount standing to the credit of the general reserve resulted from prior period allocations of retained earnings for non-specific purposes.

### Foreign currency translation

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

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>NOTE 26 – RETAINED EARNINGS</b>					
Retained earnings at the beginning of the year		<b>237,367</b>	195,745	<b>85,955</b>	91,422
Net (loss)/profit attributable to members of the parent entity		<b>(31,168)</b>	30,286	<b>6,703</b>	778
Net effect of initial adoption of: Revised AASB 1028 “Employee Benefits”		-	(102)	-	(4)
Revised AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”		-	(14,681)	-	-
		-	(14,783)	-	(4)
Net effect on dividends from initial adoption of AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”		-	7,489	-	7,489
Dividends recognised during the year		<b>(15,602)</b>	(13,730)	<b>(15,602)</b>	(13,730)
Total dividends		<b>(15,602)</b>	(6,241)	<b>(15,602)</b>	(6,241)
Transfer in from reserves upon sale of investment that had been previously equity accounted	25	-	32,360	-	-
Retained earnings at the end of the year		<b>190,597</b>	237,367	<b>77,056</b>	85,955

## NOTE 27 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

### Interest rate risk

The consolidated entity manages interest rate risk in accordance with a Board approved policy covering the types of instruments, the range of protection and duration. The financial instruments cover interest rate swaps, forward rate agreements and interest rate options. Maturities of these instruments are up to a maximum of five years. Interest rate swaps and forward rate agreements allow the consolidated entity to raise long-term borrowings at floating rates and swap them into fixed rates. Interest rate options are purchased to reduce the impact of changes in interest rates paid on floating rate long-term debt and any floating rate interest exposure in respect to long-term finance leases. The premiums for interest rate options purchased are deferred until the option start date and then amortised to interest expense over the term of the option.

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. The consolidated entity currently hedges interest bearing debt in A\$, Euro and NZ\$ with cover at 30 June 2004 extending to December 2007 in A\$, December 2005 in Euro and June 2006 in NZ\$. At 30 June 2004, the consolidated entity had 65% (2003: 74%) of debt hedged at an average effective rate of 5.17% (2003: 5.29%). The forecast position for the year ending 30 June 2005 is 75% and for the year ending 30 June 2006 is 65%.

	A\$ A\$000	EURO A\$000	NZ\$ A\$000	TOTAL \$000
<b>Financial arrangements</b>				
<b>30 June 2004</b>				
Total debt	<b>147,000</b>	<b>69,456</b>	<b>13,284</b>	<b>229,740</b>
% Hedged	<b>68%</b>	<b>63%</b>	<b>35%</b>	<b>65%</b>
Average rate (pa)	<b>5.84%</b>	<b>3.56%</b>	<b>5.85%</b>	<b>5.17%</b>
<b>30 June 2003</b>				
Total debt	73,015	87,981	14,890	175,886
% Hedged	96%	59%	59%	74%
Average rate (pa)	5.85%	4.31%	6.63%	5.29%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 27 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE CONTINUED

The consolidated entity's exposure to interest rate risk is set out below:

		2004				
NOTE	WEIGHTED AVERAGE INTEREST RATE % (PA)	FIXED INTEREST RATE \$000	FLOATING INTEREST RATE \$000	NON- INTEREST BEARING \$000	TOTAL \$000	
<b>Financial assets</b>						
Cash on hand and on deposit – Australia	4.86	–	14,952	–	14,952	
Cash on hand and on deposit – overseas	3.96	–	1,201	9,152	10,353	
Total cash	10	4.79	–	16,153	9,152	25,305
Security deposits in respect of long-term operating leases	18	1.74	–	8,490	–	8,490
Trade debtors	11	–	–	17,728	17,728	
Other receivables	11	–	–	38,418	38,418	
Loans to associates	11	–	–	5,663	5,663	
Loans to partnerships	11	–	–	381	381	
Loans provided under employee share plan	11	–	–	1,725	1,725	
			–	24,643	73,067	97,710
<b>Financial liabilities</b>						
Bank bills payable	20	6.53	–	184,461	–	184,461
Bank loans	20	4.13	–	16,932	–	16,932
Lease liabilities	20	6.61	–	28,347	–	28,347
Payable to other companies	20	6.31	7,089	–	–	7,089
Payables	19	–	–	–	64,006	64,006
Provision for onerous contracts	22	–	–	–	16,403	16,403
Employee benefits and other provisions	22	–	–	–	16,411	16,411
			7,089	229,740	96,820	333,649

	2003				
	WEIGHTED AVERAGE INTEREST RATE % (PA)	FIXED INTEREST RATE \$000	FLOATING INTEREST RATE \$000	NON- INTEREST BEARING \$000	TOTAL \$000
<b>Financial assets</b>					
Cash on hand and on deposit – Australia	4.33	–	14,254	–	14,254
Cash on hand and on deposit – overseas	3.09	–	961	–	961
<b>Total cash</b>	<b>4.25</b>	<b>–</b>	<b>15,215</b>	<b>–</b>	<b>15,215</b>
Security deposits in respect of long- term operating leases	–	–	–	–	–
Trade debtors	–	–	–	11,709	11,709
Other receivables	–	–	–	31,368	31,368
Loans to associates	–	–	–	16,073	16,073
Loans to partnerships	–	–	–	2,033	2,033
Loans provided under employee share plan	–	–	–	1,787	1,787
		–	15,215	62,970	78,185
<b>Financial liabilities</b>					
Bank bills payable	6.18	–	175,886	–	175,886
Bank loans	6.02	–	–	–	–
Lease liabilities	–	–	29	–	29
Payable to other companies	5.30	31,988	–	–	31,988
Payables	–	–	–	35,128	35,128
Provision for onerous contracts	–	–	–	18,145	18,145
Employee benefits and other provisions	–	–	–	8,674	8,674
		31,988	175,915	61,947	269,850

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 27 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE CONTINUED

### Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts to hedge certain anticipated commitments denominated in foreign currencies. Where financial commitments arising from the foreign currency borrowings are forecast to be met from future cash flows in the respective countries, a long-term natural hedge is deemed to exist.

The consolidated entity's policy is to enter into forward foreign exchange contracts to hedge a proportion of other foreign currency commitments and receivables within Board approved limits. The terms of these commitments are rarely for more than three years.

The following table sets out the Australian dollar gross value to be received or paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity:

	WEIGHTED AVERAGE RATE		CONSOLIDATED	
	2004	2003	2004 \$000	2003 \$000
<b>Sell USD</b>				
Not longer than one year	0.69	–	725	–
			725	–

As these contracts are hedging anticipated receipts, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrecognised gain on hedges of anticipated foreign currency and the timing of their anticipated recognition as part of the sales or purchases are:

	CONSOLIDATED NET LOSS	
	2004 \$000	2003 \$000
Not later than one year	(3)	–
	(3)	–

### Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

### Recognised financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position is the carrying amount, net of the provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers. The consolidated entity is not materially exposed to any individual overseas country or individual trade customer.

The credit risk in respect of non-trade and non-current receivables is minimised by the obtaining of appropriate security against the amount receivable.

### Unrecognised financial instruments

Credit risk on derivative contracts which has not been recognised on the statement of financial position is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Interest rate derivatives and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the consolidated entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the consolidated entity. The full amount of the exposure is disclosed above. The credit risk on interest rate derivatives is limited to the net amount to be received from counterparties on contracts that are favourable to the consolidated entity. The net fair value due to the consolidated entity at 30 June 2004 amounted to \$819,000 (2003: \$53,000).

### Net fair values of financial assets and liabilities

#### Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

#### Recognised financial instruments

Listed shares included in "Investments" are traded in an organised financial market. The net fair value of listed shares is determined by valuing them at the current quoted market bid price for an asset adjusted for transaction costs necessary to realise the asset (refer Note 13).

The carrying amounts of receivables, payables and bank loans approximate net fair value. The net fair value of investments in unlisted shares in other companies is determined using standard valuation techniques.

## NOTE 27 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE CONTINUED

### Unrecognised financial instruments

The valuation of financial instruments not recognised in the statement of financial position detailed in this note reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at balance date. This is based on independent market quotations and determined using standard valuation techniques. The net fair values of financial instruments not recognised in the statement of financial position held as at the balance date are:

	CONSOLIDATED	
	2004	2003
	\$000	\$000
Interest rate swaps	626	(1,416)
Interest rate options	(310)	(1,538)
Foreign exchange contracts	(3)	–
Cross currency swaps	–	(965)
	<b>313</b>	<b>(3,919)</b>

In securing certainty over future cash flows by hedging certain transactions, the consolidated entity has incurred a net notional gain of \$313,000 (2003: notional cost \$3,919,000). This notional gain will be offset by an equivalent unfavourable movement on the underlying transactions.

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003

## NOTE 28 – EMPLOYEE BENEFITS

### Number of equivalent full-time employees

Number of equivalent full-time employees at year end	<b>3,120</b>	2,049	<b>21</b>	23
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		CONSOLIDATED		COMPANY	
	NOTE	2004	2003	2004	2003
		\$000	\$000	\$000	\$000

### Employee benefits

Aggregate liability for employee benefits including on-costs:

Current

Employee benefits provision	22	<b>8,911</b>	5,794	<b>598</b>	730
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Non-current

Employee benefits provision	22	<b>2,141</b>	2,157	<b>634</b>	752
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		<b>11,052</b>	7,951	<b>1,232</b>	1,482
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### Management share option plan

During the year, the following options were issued:

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS
20 November 2003	30 September 2008	\$2.75	450,000
11 December 2003	30 September 2008	\$3.35	2,020,800
17 June 2004	30 September 2008	\$3.14	50,000

Unissued ordinary shares of the Company under option are:

ISSUE DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS
30 October 2000	30 October 2005	\$2.27	400,000
5 February 2002	30 September 2006	\$2.26	1,242,500
18 July 2002	30 September 2006	\$2.59	100,000
20 December 2002	30 September 2006	\$2.22	250,000
20 November 2003	30 September 2008	\$2.75	450,000
11 December 2003	30 September 2008	\$3.35	1,990,800
17 June 2004	30 September 2008	\$3.14	50,000

No options were exercised during the year and no amounts were therefore recognised in the financial statements in relation to the plan.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 28 – EMPLOYEE BENEFITS CONTINUED

### Management share options issued on or after 5 February 2002

Options have been issued to 89 employees. Options on issue under this plan total 4,083,300 as at 30 June 2004. Options issued to each eligible employee ranged from 2,500 to 750,000 options.

The ability to exercise these options is conditional on the consolidated entity achieving certain performance hurdles relating to increases in operating profit (5% per annum), earnings per share (5% per annum) and the market value of the Company's share price (10% per annum). The performance hurdles are to be evaluated on 30 September 2004 and 30 September 2006, at which time the Board will select, in light of relevant factors relating to the consolidated entity, the hurdles to be applied. If the hurdles relating to operating profit and earnings per share are not met, but growth in share price is achieved, the Board, at its discretion, may permit the exercise of up to 50% of the options granted to participants. If performance hurdles, chosen by the Board, are achieved, options may be exercised within a two-year period following the option vesting. If a participant ceases to be employed by a company in the consolidated entity before the evaluation date, the entitlement to exercise the options is only given in certain limited circumstances. These limited circumstances only apply after 12 months employment with the consolidated entity, from the date of the option issue. If the circumstance occurs within 12 months of the issue date, options may only be exercised if and to the extent, and during the period, permitted by the Board.

The issue of options under this plan did not represent remuneration for past service.

### Management share options issued prior to 5 February 2002

Options issued on 30 October 2000 were issued under rules existing at that time. These options vested on 30 October 2003. Options on issue under this plan total 400,000 as at 30 June 2004. The ability to exercise these options was dependent on the consolidated entity achieving a performance hurdle relating to increased shareholder value of 10% per annum.

The issue of options under this plan did not represent remuneration for past service.

### Employee share plan

At 30 June 2004, the total shares issued under the plan was 499,240. There were no shares issued during the year.

The market value of ordinary shares at 30 June 2004 was \$3.37.

### Superannuation commitments

During the year, the Company and relevant controlled entities contributed on behalf of certain employees to the Amalgamated Holdings Superannuation Fund (the "Fund"). The Fund provided benefits on an accumulation basis based on contributions received from employees and the Company and relevant controlled entities plus the earnings of the Fund.

In prior years, certain employees were provided with a guaranteed minimum defined benefit based on years of service and final average salary. The last remaining defined benefit member exited the Fund during the year ended 30 June 2003.

A triennial actuarial assessment of the Fund as at 1 July 2003 was carried out by Ms JL Dean FIAA. The actuary concluded that the assets of the Fund were sufficient to meet all benefits payable in the event of the Fund's termination, or the voluntary or compulsory termination of employment of each employee of the consolidated entity. Based on the assessment of the Fund, and advice from the Fund's actuary, contributions by the Company and relevant controlled entities were partially funded from the unallocated reserves of the Fund.

On 1 June 2004, all the members of the Fund were transferred to Sunsuper Corporate.

In the case of employees who were not members of the Fund, the Company and its controlled entities contribute to other funds in accordance with the requirements of the superannuation guarantee legislation.

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>NOTE 29 – COMMITMENTS</b>					
<b>Capital expenditure commitments</b>					
Contracted but not provided for and payable:					
Not later than one year		-	2,330	-	-
<b>Operating lease commitments</b>					
Future operating lease rentals not provided for and payable:					
Not later than one year		88,495	22,519	19	33
Later than one year but not later than five years		343,204	74,236	10	44
Later than five years		696,842	124,071	-	-
		1,128,541	220,826	29	77
<b>Finance lease commitments</b>					
Finance lease rentals are payable as follows:					
Not later than one year		3,500	24	-	-
Later than one year but not later than five years		13,963	12	-	-
Later than five years		29,089	-	-	-
		46,552	36	-	-
Less: Future lease finance charges		(18,205)	(7)	-	-
		28,347	29	-	-
Lease liabilities provided for in the accounts:					
Current	20	1,501	18	-	-
Non-current	20	26,846	11	-	-
Total lease liability		28,347	29	-	-
<b>Venue hire capital contribution commitments</b>					
Controlled entity commitments in respect of venue hire capital contribution not included in the consolidated entity's financial statements amounted to:					
		150	250	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

## NOTE 30 – CONTINGENT LIABILITIES

Details of contingent liabilities and contingent assets which although considered remote, the Directors consider should be disclosed.

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.

### In respect of controlled entities

The Company has guaranteed the obligations of some controlled entities in respect of a number of lease commitments.

The operating lease commitments not included in the Company's financial statements were due:

Not later than one year	–	–	<b>36,337</b>	13,819
Later than one year but not later than five years	–	–	<b>115,100</b>	58,110
Later than five years	–	–	<b>233,860</b>	62,134
	–	–	<b>385,297</b>	134,063

The finance lease commitments not included in the Company's financial statements. Refer Note 29.

	–	–	<b>28,339</b>	–
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The Company has guaranteed the consolidated entity's share of other commitments in respect of financing arrangements of certain controlled entities:

	–	–	<b>17,712</b>	–
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Certain controlled entities hold interests in partnerships (refer Note 35 for details), and as such are jointly and severally liable for 100% of all liabilities incurred by those partnerships. The total assets of the partnerships are sufficient to meet such liabilities. The partnerships' liabilities not included in the consolidated entity's financial statements, amounted to:

	<b>56,910</b>	54,432	–	–
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In addition, the Company or a controlled entity has guaranteed the obligations of entities within the consolidated entity in respect of the lease commitments of certain partnerships. The partnerships' operating lease commitments, not included in the consolidated entity's financial statements, guaranteed by the Company or a controlled entity were due:

Not later than one year	<b>47,977</b>	44,877	<b>15,531</b>	14,382
Later than one year but not later than five years	<b>189,927</b>	173,375	<b>61,908</b>	58,216
Later than five years	<b>383,309</b>	421,614	<b>128,017</b>	138,640
	<b>621,213</b>	639,866	<b>205,456</b>	211,238

In addition to the above, a controlled entity has given rental and other guarantees in respect of an interest in a limited partnership amounting to:

	<b>6,819</b>	–	–	–
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The Company has also guaranteed the consolidated entity's share of other commitments in respect of financing and other arrangements of certain partnerships:

	<b>2,255</b>	3,772	<b>2,255</b>	3,772
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In respect of the potential commitment relating to the 50% acquisition of Kieft & Kieft Filmtheater GmbH, refer to Note 32(b)

	–	–	–	–
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CONSOLIDATED		COMPANY	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

## NOTE 30 – CONTINGENT LIABILITIES CONTINUED

### Associates

The Company or a controlled entity has guaranteed the consolidated entity's share of obligations made by certain associates (refer Note 34) in respect of operating lease commitments:

<b>35,759</b>	156,099	<b>35,759</b>	106,559
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The Company has guaranteed the consolidated entity's share of other commitments in respect of financing arrangements of certain associates:

<b>8,597</b>	12,702	<b>8,597</b>	12,702
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### Total contingent liabilities

<b>731,553</b>	866,871	<b>683,415</b>	468,334
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### Litigation

The nature of the consolidated entity's operations results in claims for personal injury being received from time to time. The Directors believe that the outcome of such claims will not have a significant impact on the operating result of the consolidated entity in current and future reporting periods.

## NOTE 31 – DEED OF CROSS GUARANTEE

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

It is a condition of the Class Order that the Company and each of the controlled entities 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 controlled entities 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 controlled entities have also given similar guarantees in the event that the Company is wound up.

### The controlled entities subject to the Deed are:

Birch, Carroll & Coyle Limited	Kidsports Australia Pty Limited
Blue Rock Management Group Pty Ltd	Kosciusko Thredbo Pty Limited
Bryson Hotel Pty Limited	Kvarken Pty Limited
Canberra Theatres Limited	Lakeside Hotel Pty Limited
Chyadis Pty Ltd	Mamasa Pty Limited
Colorfilm (New Zealand) Pty Limited	Matilda Cruises Pty Limited
Elsternwick Properties Pty Limited	Noahs Limited
Featherdale Farm & Aviaries Pty Limited	Northside Gardens Hotel Pty Limited
Featherdale Holdings Pty Limited	Pantami Pty Limited
Fimlab Engineering Pty Limited	R.D.T. Pty Limited
G.U.O. Investments (WA) Pty Ltd	R.Q. Motels Pty Ltd
Glenelg Theatres Proprietary Limited	Roadshow (Qld) Pty Ltd
Greater Entertainment Pty Limited	Rocket Express Ferries Pty Limited
Greater Occasions Australia Pty Limited	Rydges Hotels Limited
Greater Union International Holdings Pty Limited	Sail Venture Cruises Pty Limited
Greater Union Nominees Pty Limited	Sonata Hotels Pty Ltd
Greater Union Screen Entertainment Pty Limited	Tannahill Pty Limited
Greater Union Technology Pty Ltd	The Geelong Theatre Company Limited
Greattheatre Pty Ltd	The Greater Union Organisation Pty Limited
Gutace Holdings Pty Limited	The Video Film Company Pty Limited
Haparanda Pty Limited	Thredbo Resort Centre Pty Limited
Haymarket's Tivoli Theatres Pty Limited	Tobeeon Pty Limited
Highway's International Hotels Pty Limited	Tourism & Leisure Pty Limited
Highway Village Motel (Mount Gambier) Pty Ltd	Western Australia Cinemas Proprietary Limited
Highway Village Motels Pty Ltd	Whale Watch Cruises Pty Limited
Jatronics Pty Limited	Zollverein Pty Limited.

A consolidated statement of financial performance 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 of Cross Guarantee, at 30 June 2004 are set out on the following page:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

CONSOLIDATED	
2004	2003
\$000	\$000

## NOTE 31 – DEED OF CROSS GUARANTEE CONTINUED

### Statement of financial performance

(Loss)/profit from ordinary activities before income tax expense	(19,263)	14,730
Income tax expense relating to ordinary activities	(14,813)	(10,789)

(Loss)/profit from ordinary activities before income tax expense	(34,076)	3,941
Gain on extraordinary item after income tax	–	22,479

<b>Net (loss)/profit</b>	<b>(34,076)</b>	<b>26,420</b>
Retained earnings at the beginning of the year	255,645	217,888
Adjustments to retained earnings at beginning of year on initial adoption of:		
Revised AASB 1028 “Employee Benefits”	–	(102)
Revised AASB 1044 “Provisions, Contingent Liabilities and Contingent Assets”	–	(7,191)
Transfer in from reserves upon sale of investment that had previously been equity accounted	–	32,360
Dividends recognised during the year	(15,602)	(13,730)

<b>Retained earnings at the end of the year</b>	<b>205,967</b>	<b>255,645</b>
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### Statement of financial position

Cash assets	16,293	9,178
Receivables	19,851	35,382
Inventories	9,907	8,351
Other	5,052	3,959

<b>Total current assets</b>	<b>51,103</b>	<b>56,870</b>
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Receivables	29,748	24,776
Investments in controlled entities	69,394	45,693
Investments accounted for using the equity method	172,232	255,869
Other financial assets	12,107	12,263
Property, plant and equipment	292,014	302,199
Intangible assets	8,708	9,478
Deferred tax assets	13,159	12,589
Other	2,978	2,801

<b>Total non-current assets</b>	<b>600,340</b>	<b>665,668</b>
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<b>Total assets</b>	<b>651,443</b>	<b>722,538</b>
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Payables	33,213	30,474
Interest bearing liabilities	–	37,454
Current tax liabilities	6,190	2,979
Provisions	14,939	8,181
Other	10,268	11,035

<b>Total current liabilities</b>	<b>64,610</b>	<b>90,123</b>
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Payables	4,702	–
Loans to controlled entities	9,748	5,493
Interest bearing liabilities	166,803	158,227
Deferred tax liabilities	8,653	10,246
Provisions	11,980	21,517
Other	575	528

<b>Total non-current liabilities</b>	<b>202,461</b>	<b>196,011</b>
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<b>Total liabilities</b>	<b>267,071</b>	<b>286,134</b>
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<b>Net assets</b>	<b>384,372</b>	<b>436,404</b>
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### Equity

Contributed equity	89,311	89,311
Reserves	89,094	91,448
Retained earnings	205,967	255,645

<b>Total equity</b>	<b>384,372</b>	<b>436,404</b>
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CONSOLIDATED	
2004	2003
\$000	\$000

## NOTE 32 – CONTROLLED ENTITIES

### (a) Disposal of controlled entities

During the previous financial year, the consolidated entity disposed of a 50% interest in the Atlab group.

Details of the disposal are as follows:

Net consideration	–	26,230
Carrying amount of entity disposed	–	(8,000)
Profit on disposal	–	18,230
<hr/>		
Net amounts of entities disposed of:	–	
Cash	–	1,615
Property, plant and equipment	–	5,975
Other net assets	–	410
	–	8,000

The entities were disposed of on 9 September 2002 and the operating results to that date have been included in the consolidated operating result.

### (b) Acquisition of controlled entities

#### Kieft & Kieft Filmtheater GmbH

The consolidated entity increased its interest in Kieft & Kieft Filmtheater GmbH from 50% to 100% on 2 December 2003. The operating results from that date have been included in the consolidated operating results. Prior to this increase, Kieft & Kieft Filmtheater GmbH was accounted for as an associate. (Refer also to Notes 33 and 34).

Carrying value of 50% interest immediately prior to 2 December 2003	80,839	–
Less: 50% share of fair value adjustments on acquisition	(15,232)	–
	65,607	–
Consideration for additional 50% interest	12,195	–
	77,802	–
<hr/>		
Fair value of assets acquired:		
Cash	6,172	–
Cash – security deposits	12,054	–
Property, plant and equipment	94,987	–
Investments	3,319	–
Other net liabilities	(109,290)	–
	7,242	–
Goodwill on acquisition	70,560	–
Total consideration and carrying value	77,802	–

Under the terms of the Share Purchase Agreement, the vendors are entitled to incentive payments over a three year term and a final payment after three years, if trading cash flow performance conditions are met. Any final payment after three years is dependent on a multiple of trading cash flow, before interest and tax, for the business for the calendar year 2006, less financial debt of the business, exceeding an agreed amount. Current trading performance of the business is not at a level that would give rise to incentive payments or a final payment. Alternatively, if the business is sold, or partly sold, the vendors are entitled to a payment if the consideration received exceeds a set amount.

#### Ancona Investments Pty Limited

Ancona Investments Pty Limited became a 100% controlled entity on 27 June 2003. The operating results from that date have been included in the consolidated operating results. (Refer also to Note 33).

Net consideration	–	1,400
Cash acquired	–	(10)
Net cost of acquisition	–	1,390
<hr/>		
Fair value of assets acquired:		
Cash	–	10
Property, plant and equipment	–	2,237
Other net liabilities	–	(1,757)
	–	490
Goodwill on acquisition	–	910
Net consideration	–	1,400

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CLASS OF SHARE	ENTITY INTEREST 2004 %	2003 %
<b>NOTE 33 – PARTICULARS IN RELATION TO CONTROLLED ENTITIES</b>				
<b>(a) Particulars in relation to controlled entities</b>				
<b>Parent entity</b>				
Amalgamated Holdings Limited				
<b>Controlled entities</b>				
Ancona Investments Pty Limited		Ord	100	100
Atlab Kine Services Pty Limited		Ord	100	100
Greater Entertainment Pty Limited		Ord	100	100
Mamasa Pty Limited		Ord	100	100
R.D.T. Pty Limited		Ord	100	100
Zollverein Pty Limited		Ord	100	100
Greattheatre Pty Ltd		Ord	100	100
Birch, Carroll & Coyle Limited		Ord	100	100
Roadshow (Qld) Pty Ltd		Ord	100	100
The Greater Union Organisation Pty Limited		Ord	100	100
Amalgamated Holdings Superannuation Fund Pty Limited		Ord	100	100
Canberra Theatres Limited		Ord	100	100
Chyadis Pty Ltd		Ord	100	100
G.U.O. Investments (WA) Pty Ltd		Ord	100	100
Glenelg Theatres Proprietary Limited		Ord	100	100
Greater Occasions Australia Pty Limited		Ord	100	100
Greater Union Holdings Limited	(b)	Ord	100	100
Greater Union International Holdings Pty Limited		Ord	100	100
Greater Union International BV	(e)	Ord	100	100
Edge Investments BV	(e)	Ord	100	–
Greater Union International GmbH	(f)	Ord	100	100
Greater Union Entertainment Technology Germany GmbH	(f)	Ord	100	100
Kieft & Kieft Filmtheater GmbH	(a), (f), (h)	Ord	100	–
CFM Cinema Facility Management GmbH	(a), (f)	Ord	51	–
Greater Union Limited	(c)	Ord	100	100
Greater Union Nominees Pty Limited		Ord	100	100
Greater Union Screen Entertainment Pty Limited		Ord	100	100
Image and Sound Technology Pty Limited		Ord	100	100
Beachcode Limited	(a), (c)	Ord	100	100
Filmlab Systems International Limited	(a), (c)	Ord	100	100
Colorfilm (New Zealand) Pty Limited		Ord	100	100
Elsternwick Properties Pty Limited		Ord	100	100
Filmlab Engineering Pty Limited		Ord	100	100
Jatronics Pty Limited		Ord	100	100
The Video Film Company Pty Limited		Ord	100	100
Greater Union Entertainment Technology Pte Ltd	(g)	Ord	100	100
Gutace Holdings Pty Limited		Ord	100	100
Haymarket's Tivoli Theatres Pty Limited		Ord	100	100
Tannahill Pty Limited		Ord	100	100
Kidsports Australia Pty Limited		Ord	100	100
Rydges Hotels Limited		Ord	100	100
Blue Rock Management Group Pty Ltd		Ord	100	100
Blue Rock Venue Management Pty Limited		Ord	100	100
Haparanda Pty Limited		Ord	100	100
BLN Hotels Property Unit Trust			100	100
Highway's International Hotels Pty Limited		Ord	100	100
Highway Village Motels Pty Ltd		Ord	100	100

	NOTE	CLASS OF SHARE	ENTITY INTEREST 2004 %	2003 %
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### NOTE 33 – PARTICULARS IN RELATION TO CONTROLLED ENTITIES CONTINUED

Highway Village Motel (Mount Gambier) Pty Ltd		Ord	100	100
Kvarken Pty Limited		Ord	100	100
Bryson Hotel Pty Limited		Ord	100	100
Bryson Hotel Property Unit Trust			100	100
Lakeside Hotel Pty Limited		Ord	100	100
Lakeside Hotel Property Unit Trust			100	100
Northside Gardens Hotel Pty Limited		Ord	100	100
Northside Gardens Hotel Property Unit Trust			100	100
Rydges Hobart Hotel Pty Limited		Ord	100	100
Rydges Hobart Hotel Property Unit Trust			100	100
Noahs Hotels (N.Z.) Limited	(a), (d)	Ord	100	100
		Pref	100	100
Rydges Queenstown Hotel Limited	(a), (d)	Ord	100	100
Noahs Limited		Ord	100	100
		Pref	100	100
R.Q. Motels Pty Ltd		Ord	100	100
Rydges Hotels Resorts Asia Pte Limited	(g)	Ord	100	100
Sonata Hotels Pty Ltd		Ord	100	100
Bryson Centre Unit Trust			100	100
Lakeside International Hotel Unit Trust			100	100
Sail Venture Cruises Pty Limited		Ord	100	100
The Geelong Theatre Company Limited		Ord	100	100
		Pref	100	100
Tobea Pty Limited		Ord	100	100
Tourism & Leisure Pty Limited		Ord	100	100
Featherdale Farm & Aviaries Pty Limited		Ord	100	100
Featherdale Holdings Pty Limited		Ord	100	100
Matilda Cruises Pty Limited		Ord	100	100
Rocket Express Ferries Pty Limited		Ord	100	100
Whale Watch Cruises Pty Limited		Ord	100	100
Western Australia Cinemas Proprietary Limited		Ord	100	100

Notes:

- (a) These companies are audited by other member firms of KPMG International.  
(b) This company was incorporated and is domiciled in Jersey. The company has a 31 December balance date.  
(c) These companies were incorporated in and carry on business in the United Kingdom.  
(d) These companies were incorporated in and carry on business in New Zealand.  
(e) This company was incorporated in and carries on business in The Netherlands.  
(f) These companies were incorporated in and carry on business in Germany.  
(g) These companies were incorporated in and carry on business in Singapore.  
(h) 50% interest held prior to 2 December 2003 (refer to Note 34).  
All other companies, except those stated above, were incorporated in Australia.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

CONSOLIDATED  
2004  
\$000

2003  
\$000

## NOTE 34 – INVESTMENTS IN ASSOCIATES

### Results of associates

Share of associates' operating profit before income tax	21,593	8,102
Share of associates' income tax (expense)/credit attributable to operating profit	(8,146)	550
Shares of associates' net profit	13,447	8,652
Adjustments:		
Amortisation of goodwill arising from investment	(273)	(87)
Provision for write-down of specific underperforming cinema sites	(15,232)	(4,327)
Share of associates' net (loss)/profit – equity accounted	(2,058)	4,238

### Share of post-acquisition retained earnings and reserves attributable to associates

#### Retained earnings

Share of associates' retained earnings at the beginning of the year	18,615	14,536
Share of net (loss)/profit of associates	(2,058)	4,238
Distributions from associates	(12,500)	(159)
Share of associates' retained earnings at the end of the year	4,057	18,615

#### Asset revaluation reserve

Share of associates' asset revaluation reserve at the beginning of the year	–	919
Transfer on sale of an investment that had previously been equity accounted	–	(920)
Share of increment in asset revaluation reserve of associates	–	1
Share of associates' asset revaluation reserve at the end of the year	–	–

#### Asset realisation reserve

Share of associates' asset realisation reserve at the beginning of the year	696	6,944
Transfer on sale of an investment that had previously been equity accounted	–	(6,248)
Share of associates' asset realisation reserve at the end of the year	696	696

#### General reserve

Share of associates' general reserve at the beginning of the year	374	26,443
Transfer on sale of an investment that had previously been equity accounted	–	(26,069)
Share of associates' general reserve at the end of the year	374	374

#### Foreign currency translation reserve

Share of associates' foreign currency translation reserve at the beginning of the year	(1,109)	(662)
Transfer on sale of an investment that had previously been equity accounted	–	877
Share of increment/(decrement) in foreign currency translation reserve of associates	350	(1,324)
Share of associates' foreign currency translation reserve at the end of the year	(759)	(1,109)

#### Movements in carrying amount of associates

Carrying amount of associates at the beginning of the year	121,729	124,686
Net additional investments in associates	6,879	–
Foreign currency translation movements	(3,515)	(3,451)
Share of associates' net (loss)/profit	(2,058)	4,238
Share of equity accounted profits reversed against provision for support	(1,259)	(2,261)
Distributions received from associates	(12,500)	(159)
Increase in associate due to restructure	12,557	–
Share of increment/(decrement) in associates' reserves	351	(1,324)
Reclassification of associate to controlled entity	(64,366)	–
Associate acquired through acquisition of a controlled entity	2,132	–
Disposal of equity investment	(4,081)	–
Carrying amount of associates at the end of the year	55,869	121,729

CONSOLIDATED	
2004	2003
\$000	\$000

## NOTE 34 – INVESTMENTS IN ASSOCIATES CONTINUED

### Commitments

#### Share of associates' capital expenditure commitments contracted but not provided for and payable

Not later than one year	–	3,526
Later than one year but not later than five years	–	–
	–	3,526

#### Share of associates' operating lease commitments payable

Not later than one year	5,461	38,693
Later than one year but not later than five years	19,586	150,043
Later than five years	38,892	392,457
	63,939	581,193

#### Share of associates' finance lease commitments payable

Not later than one year	197	258
Later than one year but not later than five years	473	721
	670	979
Less: Future lease finance charges	(64)	(1)
	606	978

#### Share of associates' contingent liabilities

Refer to Note 30.



CONSOLIDATED	
2004	2003
\$000	\$000

## NOTE 34 – INVESTMENTS IN ASSOCIATES CONTINUED

### Summary of performance and financial position of associates

The consolidated entity's share of aggregate assets, liabilities and net (loss)/profit of associates is as follows:

Net (loss)/profit – as reported by associates	(1,452)	4,280
Adjustments arising from equity accounting	(606)	(42)
Net (loss)/profit – equity adjusted	(2,058)	4,238
Current assets	146,936	158,449
Non-current assets	43,574	158,564
<b>Total assets</b>	<b>190,510</b>	<b>317,013</b>
Current liabilities	94,372	156,642
Non-current liabilities	40,574	34,667
<b>Total liabilities</b>	<b>134,946</b>	<b>191,309</b>
Net assets – as reported by associates	55,564	125,704
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	84	172
Foreign exchange translation	211	172
Provision for write-down of specific underperforming cinema sites	–	(4,327)
Other	10	8
Net assets – equity adjusted	55,869	121,729

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NAME	PRINCIPAL ACTIVITIES	NATURE OF INTEREST	PROFIT SHARE		INVESTMENT CARRYING AMOUNT		SHARE OF SALES REVENUE		CONTRIBUTION TO OPERATING PROFIT	
			2004 %	2003 %	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000

## NOTE 35 – INVESTMENTS IN PARTNERSHIPS AND UNIT TRUSTS

### (i) Partnerships

Arndale Cinema Centre Partnership	Operator of multiscreen cinema complexes	Share of partnership assets	50	50	11,729	11,678	11,723	11,252	1,876	1,581
Australian Theatres Joint Venture	Operator of multiscreen cinema complexes	Share of partnership assets	50	50 (c)	74,001	77,082	110,563	78,126 (j)	14,204 (h)	7,226
Broadway Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	6,069	6,714	6,137	6,381	1,071	447
Browns Plains Multiplex Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	33	33 (c)	240	295	1,275	916	85	29
Castle Hill Multiplex Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	33	33 (c)	4,298	4,663	5,865	4,537	1,345	1,128
Casuarina Cinema Centre Partnership	Operator of multiscreen cinema complexes	Share of partnership assets	50	50	7,062	7,651	11,105	10,042	1,621	905
Fountaingate Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	3,606	4,526	4,718	4,334	267	273
Garden City Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	33	33	2,195	2,042	4,461	4,584	942	896
Geelong Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50 (f)	(351)	(229)	3,189	2,883	178	(69)
Jam Factory Cinema Operations Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	1,265	329	7,422	7,539	299	20
Jam Factory Shopping Centre Partnership	Property investor	Share of partnership assets	50	50 (f)	-	310	-	-	(310)	-
Movieline Partnership	Owner of a cinema ticketing service	Share of partnership assets	33	33	-	108	-	183	(207)	(516)
Neue Filmpalast GmbH & Co. KG	Film exhibitor	Share of assets in limited partnership	50	-	(e)	-	50,488	-	(1,659)	-
Perth Cinecentre Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	45	45	108	(85)	2,057	2,145	(96)	(2)
Piccadilly Cinema	Owner and operator of a multiscreen cinema complex	Share of partnership assets	30	30	675	589	688	723	117	94
Shellharbour Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	174	251	2,329	2,090	113	203
		Balance carried forward			111,071	115,924	222,020	135,735	19,846	12,215

NAME	PRINCIPAL ACTIVITIES	NATURE OF INTEREST	PROFIT SHARE		INVESTMENT CARRYING AMOUNT		SHARE OF SALES REVENUE		CONTRIBUTION TO OPERATING PROFIT	
			2004 %	2003 %	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000

## NOTE 35 – INVESTMENTS IN PARTNERSHIPS AND UNIT TRUSTS CONTINUED

### (i) Partnerships continued

		Balance brought forward			<b>111,071</b>	115,924	<b>222,020</b>	135,735	<b>19,846</b>	12,215
Southbank Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	<b>50</b>	50 (f)	-	84	-	497	<b>(197)</b>	(392)
Southport 6 Cinemas	Operator of a multiscreen cinema complex	Share of partnership assets	<b>51</b> (b)	51	<b>1,014</b>	417	<b>2,579</b>	2,400	<b>395</b>	228
Toowoomba Cinema Centre Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	<b>50</b>	50	<b>1,639</b>	1,818	<b>3,408</b>	2,988	<b>461</b>	269
Village Greater Union Parramatta Partnership	Operator of multiscreen cinema complex	Share of partnership assets	<b>50</b>	50 (f)	<b>2,639</b>	3,068	<b>2,004</b>	2,152	<b>(179)</b>	(103)
					<b>116,363</b>	121,311	<b>230,011</b>	143,772	<b>20,326</b>	12,217

### (ii) Trusts

Roadshow Direct Unit Trust	Direct marketing of collectables	Share of assets and profit of unit trust	<b>50</b>	50	(a)	(a)	-	-	-	-
Roadshow Television Unit Trust	Sale of films to television networks	Share of assets and profit of unit trust	(g)	50 (d)	(g)	12,829	<b>12,309</b>	11,190	<b>1,232</b>	(d) 2,489
					-	12,829	<b>12,309</b>	11,190	<b>1,232</b>	2,489

#### Notes:

(a) Provision for support has been raised against this entity.

(b) The partnership is not consolidated as the consolidated entity does not have control over its management and strategic objectives.

(c) Increased profit share entitlement effective from 26 March 2003.

(d) Increased profit share entitlement effective from 31 December 2002.

(e) Neue Filmpalast GmbH & Co. KG ("NFP") has negative assets, for which a provision for support has been raised in respect of the consolidated entity's share of these negative net assets. This provision is reversed as profits are generated by NFP and the consolidated entity's equity share of these profits is recognised.

(f) Provision for diminution in the value of the investment carrying amount has been raised against this entity in prior years.

(g) Roadshow Television Unit Trust was merged into Roadshow Distributors Pty Ltd (refer Note 34) as at 29 June 2004.

(h) 2003 profit includes the consolidated entity's share, amounting to \$1,861,000, of a provision for write-down in the carrying value of specific underperforming cinema sites.

(i) 2004 profit includes the consolidated entity's share, amounting to \$1,509,000, of a provision for cinema site lease terminations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 35 – INVESTMENTS IN PARTNERSHIPS AND UNIT TRUSTS CONTINUED

During the year, the cinema partnerships purchased management services of \$7,582,000 (2003: \$5,233,000), block and artwork of \$147,000 (2003: \$162,000) and other services of \$290,000 (2003: \$472,000) from the consolidated entity. These transactions were on normal commercial terms.

	CONSOLIDATED	
	2004	2003
	\$000	\$000
The consolidated entity's share of the partnerships' assets and liabilities consists of:		
Current assets	17,045	11,054
Non-current assets	102,471	100,380
<b>Total assets</b>	<b>119,516</b>	<b>111,434</b>
Current liabilities	29,301	19,121
Non-current liabilities	9,601	6,697
<b>Total liabilities</b>	<b>38,902</b>	<b>25,818</b>
<b>Share of net assets</b>	<b>80,614</b>	<b>85,616</b>
<b>Movements in carrying amount of partnerships</b>		
Carrying amount of partnerships at the beginning of the year	121,311	73,662
Net additional investments in partnerships	3,516	54,482
Contributions for capital	7,864	2,026
Share of partnership profit	20,326	12,217
Share of equity accounted losses booked as provision for support	(1,306)	–
Gross distributions	(35,315)	(21,025)
Amortisation of capitalised interest	(33)	(51)
Carrying amount of partnerships at the end of the year	116,363	121,311
Refer to Note 30 for details of contingencies.		
Share of limited partnerships' operating lease commitments payable:		
Not later than one year	10,720	–
Later than one year but not later than five years	41,741	–
Later than five years	61,759	–
	<b>114,220</b>	<b>–</b>

### Option granted

A wholly-owned controlled entity, Kieft & Kieft Filmtheater GmbH, has entered into a put agreement which grants a non-related joint venture partner the right to sell its interest in Neue Filmpalast GmbH & Co. KG to Kieft & Kieft Filmtheater GmbH at original cost to the joint venture partner less the partner's share in any carry forward losses. The option can be exercised in the month of September 2005 if the joint venture has not grown the business through acquisition beyond an agreed level by 26 August 2005.

If the option was to be exercised as at 30 June 2004, no consideration would be payable in respect of the transfer of a 50% interest.

## NOTE 36 – DIRECTOR AND EXECUTIVE DISCLOSURES

### Remuneration of specified directors and specified executives by the consolidated entity

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Nomination & Remuneration Committee obtains independent advice on the appropriateness of remuneration packages for senior executives, given remuneration trends in comparable companies. The objective of the remuneration structure is to align executive reward with achievement of strategic objectives and the creation of value for shareholders. Remuneration packages for senior executives include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration.

#### Fixed remuneration

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

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

Senior management has the option to receive their base 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 any fringe benefits tax, is taken into account in determining an employee's base fixed remuneration.

#### Performance-based remuneration

The Managing Director and senior management may receive annual bonuses based on the achievement of specific performance hurdles and assessment criteria.

Specific performance hurdles and assessment criteria are set for each level of management depending on the accountabilities of the role and impact on the organisation or business unit performance. Performance hurdles 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.

For the Managing Director and specified executives, the general target bonus opportunity ranges from 20% to 50% of the executive's fixed remuneration. Additional bonuses may be paid above these levels at the discretion of the Nomination & Remuneration Committee if it is assessed that an exceptional contribution has been made by an executive.

There is no separate profit share plan.

#### Equity-based remuneration

Share options are issued under the Management Share Option Plan. It is the current policy to issue options to management once every two years. The number of options issued to each grouping of management is set according to broad levels of responsibilities. The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. Further details in relation to management share options, including details of performance hurdles, are given in Note 28. The maximum level of options to be issued to the Managing Director is approved by shareholders at the Annual General Meeting.

The Board considers that the above performance-linked remuneration structure is generating the desired outcome.

#### Remuneration of non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board also receives advice from independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market.

Total remuneration for all non-executive Directors, last voted upon by shareholders at the 2002 Annual General Meeting, is not to exceed \$500,000 per annum. Directors' base fees are presently up to \$54,000 per annum (Chairman \$154,600 per annum). Directors' fees cover all main Board activities and membership of committees, except for the Audit Committee. Non-executive Director members who sit on the Audit Committee receive an additional payment of \$8,000 per annum (Chairman of the Audit Committee \$16,000 per annum).

Non-executive Directors do not receive any performance-related remuneration nor are they issued options or shares.

#### Retirement/redundancy schemes

Under the Directors' Retirement Plan, Directors with more than three years service receive a retirement lump sum based on the length of service. The Plan benefits accrue 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. Mr AG Rydge and the Managing Director are not eligible to participate in the 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 Directors' Retirement Plan. The following retirement benefits were paid or became payable under the Plan during the year to 30 June 2004:

- Mr AJ Lane – \$159,458; and
- Mr GL Herring – \$165,000.

There are no retirement or redundancy schemes in place for senior executives, with the exception that it is a condition of employment of Mr JA Collier (Managing Director – AHL Entertainment), that if his employment is terminated by the employer, other than for gross misconduct, the following percentages of his fixed remuneration would be paid as a termination benefit:

- if termination within 12 months of 1 September 2003 – 100% of fixed remuneration;
- if termination within 24 months of 1 September 2003 – 50% of fixed remuneration; and
- after 24 months from 1 September 2003 – 25% of fixed remuneration.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 36 – DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

### Remuneration of specified directors and specified executives by the consolidated entity

The following table provides the details of the Directors of the Company (“specified directors”) and the five or more executives of the consolidated entity with the greatest authority (“specified executives”) and the nature and amount of the elements of their remuneration for the years ended 30 June 2004 and 30 June 2003:

	PRIMARY			POST-EMPLOYMENT	EQUITY COMPENSATION	OTHER COMPENSATION		TOTAL
	SALARY AND FEES \$	BONUS (B) \$	NON-MONETARY BENEFITS (D) \$	SUPER ANNUATION CONTRI- BUTIONS \$	VALUE OF OPTIONS (A) \$	RETIRE- MENT BENEFITS ACCRUED \$	MOVEMENT IN ACCRUED LEAVE ENTITLEMENTS \$	
<b>Specified Directors</b>								
<b>Non-executive</b>								
<b>Mr AG Rydge</b> Chairman								
2004	151,598	–	–	11,002	–	–	–	162,600
2003	152,081	–	–	10,519	–	–	–	162,600
<b>Mr AJ Clark</b>								
2004	51,987	–	–	4,679	–	17,311	–	73,977
2003	43,938	–	90	3,954	–	13,179	–	61,161
<b>Mr GL Herring</b> (resigned 17 Jun 2004)								
2004	64,220	–	–	5,780	–	3,669	–	73,669
2003	54,228	–	219	4,878	–	10,957	–	70,282
<b>Mr RM Graham</b>								
2004	56,880	–	79	5,120	–	7,668	–	69,747
2003	50,556	–	128	4,554	–	6,958	–	62,196
<b>Mr TC Ford</b>								
2004	49,541	–	–	4,459	–	10,675	–	64,675
2003	43,938	–	417	3,954	–	16,577	–	64,886
<b>Ms M Hellicar</b> (appointed 18 Sep 2003)								
2004	37,614	–	–	3,386	–	–	–	41,000
<b>Mr AJ Lane</b> (resigned 31 Aug 2003)								
2004	9,480	–	–	853	–	2,126	–	12,459
2003	50,556	–	599	4,554	–	6,958	–	62,667
<b>Executive</b>								
<b>Mr DC Seargeant</b> Managing Director								
2004	658,998	268,000	319	11,002	158,753	–	(4,097)	1,092,975
2003	659,481	134,000	–	10,519	96,762	–	(19,732)	881,030
<b>Total – all specified directors</b>								
2004	1,080,318	268,000	398	46,281	158,753	41,449	(4,097)	1,591,102
2003	1,054,778	134,000	1,453	42,932	96,762	54,629	(19,732)	1,364,822

## NOTE 36 – DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

	PRIMARY			POST-EMPLOYMENT	EQUITY COMPENSATION	OTHER COMPENSATION		TOTAL
	SALARY AND FEES \$	BONUS (B) \$	NON-MONETARY BENEFITS (D) \$	SUPER ANNUATION CONTRIBUTIONS \$	VALUE OF OPTIONS (A) \$	RETIREMENT BENEFITS ACCRUED \$	MOVEMENT IN ACCRUED LEAVE ENTITLEMENTS \$	
<b>Specified executives</b>								
<b>Mr PG Lonergan</b> Managing Director AHL Hospitality & Leisure								
2004	390,998	19,500	–	11,002	35,537	–	(6,795)	450,242
2003	381,197	12,000	79	10,519	19,273	–	4,284	427,352
<b>Mr JA Collier</b> (appointed 1 Sept 2003) Managing Director AHL Entertainment								
2004	357,498	–	592	10,084	43,029	–	23,280	434,483
<b>Mr PW Horton</b> Director Finance and Accounting Amalgamated Holdings Limited								
2004	294,284	37,820	–	25,716	35,537	–	4,262	397,619
2003	285,220	6,000	515	24,780	19,273	–	5,781	341,569
<b>Mr DA Tynan</b> Director of Group Marketing and Sales Amalgamated Holdings Limited								
2004	275,236	32,190	–	24,764	43,435	–	6,418	382,043
2003	266,172	4,000	180	23,828	27,170	–	6,434	327,784
<b>Mr HR Eberstaller</b> Managing Director AHL Strategic Investments								
2004	258,248	30,000	200	35,501	35,537	–	20,810	380,296
2003	219,571	15,000	–	31,726	19,273	–	9,275	294,845
<b>Mr GC Lopez</b> Director of Corporate Services Amalgamated Holdings Limited								
2004	273,998	22,230	159	11,002	35,537	–	(8,613)	334,313
2003	274,481	12,000	846	10,519	19,273	–	18,483	335,602
<b>Mr GC Dean</b> Company Secretary Amalgamated Holdings Limited								
2004	145,520	8,100	–	24,480	12,578	–	8,807	199,485
2003	129,348	3,200	–	21,759	3,855	–	2,306	160,468
<b>Total – all specified executives</b>								
2004	1,995,782	149,840	951	142,549	241,190	–	48,169	2,578,481
2003 <sup>(C)</sup>	1,793,892	67,200	1,620	151,038	121,327	580,990	32,756	2,748,823

(A) The fair value of the share options is calculated at the date of grant using the binomial option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. For further details on the method of valuation of options, refer to Note 1(x).

(B) Bonuses are granted annually. The specific performance criteria are set out earlier in this note. Bonus levels relating to the previous financial year are determined and paid in September of each year.

(C) Group totals in respect of the 2003 financial year do not equal the sum of amounts disclosed for 2003 for individuals specified in 2004, as there are differences in the individuals specified for the 2003 year.

(D) Amounts disclosed for remuneration of Directors and specified executives exclude insurance premiums paid by the consolidated entity 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 in the Directors' Report.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 36 – DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

### Equity instruments

Share options refer to options over ordinary shares of Amalgamated Holdings Limited, which are exercisable on a one-for-one basis under the Management Share Option Plan.

### Share options and rights over equity instruments granted as remuneration

During the reporting period, the following options over ordinary shares were granted or vested under the Management Share Option Plan:

	VESTED NUMBER	GRANT NUMBER	GRANT DATE	VALUE PER OPTION AT GRANT DATE \$	EXERCISE PRICE PER SHARE \$	FIRST EXERCISE DATE	LAST EXERCISE DATE
<b>Specified Directors</b>							
Mr DC Seargeant	400,000						
	–	250,000	20/11/03	0.65	2.75	30/09/06	30/09/08
	–	250,000	11/12/03	0.79	3.35	30/09/06	30/09/08
<b>Specified executives</b>							
Mr PG Loneragan	–	100,000	11/12/03	0.79	3.35	30/09/06	30/09/08
Mr JA Collier	–	200,000	20/11/03	0.65	2.75	30/09/06	30/09/08
	–	100,000	11/12/03	0.79	3.35	30/09/06	30/09/08
Mr PW Horton	–	100,000	11/12/03	0.79	3.35	30/09/06	30/09/08
Mr DA Tynan	–	100,000	11/12/03	0.79	3.35	30/09/06	30/09/08
Mr HR Eberstaller	–	100,000	11/12/03	0.79	3.35	30/09/06	30/09/08
Mr GC Lopez	–	100,000	11/12/03	0.79	3.35	30/09/06	30/09/08
Mr GC Dean	–	50,000	11/12/03	0.79	3.35	30/09/06	30/09/08
	–	50,000	17/06/04	0.65	3.14	30/09/06	30/09/08

In addition to a continuing employment service condition, the ability to exercise options is conditional on the consolidated entity achieving certain performance hurdles relating to increases in operating profit (5% per annum), earning per share (5% per annum) and the market value of the Company's share price (10% per annum). Further details, regarding options granted to executives under the Management Share Option Plan, are given in Note 28.

### Share option holdings

The movement during the reporting period in the number of options over ordinary shares in Amalgamated Holdings Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities, is as follows:

	HELD AT 1 JULY 2003	GRANTED	EXERCISED	HELD AT 30 JUNE 2004	VESTED AND EXERCISABLE AT 30 JUNE 2004
<b>Specified Directors</b>					
Mr DC Seargeant	650,000	500,000	–	1,150,000	400,000
<b>Specified executives</b>					
Mr PG Loneragan	100,000	100,000	–	200,000	–
Mr JA Collier	–	300,000	–	300,000	–
Mr PW Horton	100,000	100,000	–	200,000	–
Mr DA Tynan	100,000	100,000	–	200,000	–
Mr HR Eberstaller	100,000	100,000	–	200,000	–
Mr GC Lopez	100,000	100,000	–	200,000	–
Mr GC Dean	20,000	100,000	–	120,000	–

No options held by specified Directors or specified executives are vested but not exercisable. No options have been granted since the end of the financial year.

## NOTE 36 – DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

### Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Amalgamated Holdings Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities is as follows:

	HELD AT 1 JULY 2003	PURCHASES	RECEIVED ON EXERCISE OF OPTIONS	SALES	HELD AT 30 JUNE 2004
<b>Specified Directors</b>					
Mr AG Rydge	57,704,154	–	–	–	57,704,154
Mr AJ Clark	40,000	–	–	–	40,000
Mr GL Herring	27,382	–	–	–	(B) 27,382
Mr RM Graham	10,626	–	–	–	10,626
Mr T C Ford	10,000	–	–	–	10,000
Ms M Hellicar	(A) –	–	–	–	–
Mr AJ Lane	72,000	–	–	–	(B) 72,000
Mr DC Seargeant	25,000	–	–	–	25,000
<b>Specified executives</b>					
Mr PG Lonergan	–	–	–	–	–
Mr JA Collier	–	–	–	–	–
Mr PW Horton	–	–	–	–	–
Mr DA Tynan	–	–	–	–	–
Mr HR Ebertstaller	–	–	–	–	–
Mr GC Lopez	–	–	–	–	–
Mr GC Dean	500	–	–	–	500

(A) Balance at date of appointment.

(B) Balance at date of resignation.

### Loans and other transactions with specified Directors and specified executives

#### Loans to specified Directors and specified executives

Details of the aggregates of loans outstanding under the employee share plan to specified Directors and specified executives are as follows:

	BALANCE AT BEGINNING OF YEAR \$	INTEREST CHARGED \$	BALANCE AT END OF YEAR \$	INTEREST NOT CHARGED \$	NUMBER IN GROUP
<b>Specified Directors</b>					
<b>2004</b>	<b>2,443</b>	–	<b>2,358</b>	<b>168</b>	<b>2</b>
2003	2,517	–	2,443	173	2
<b>Specified executives</b>					
<b>2004</b>	<b>2,889</b>	–	<b>2,851</b>	<b>200</b>	<b>1</b>
2003	2,922	–	2,889	203	1
<b>Total specified Directors and specified executives</b>					
<b>2004</b>	<b>5,332</b>	–	<b>5,209</b>	<b>368</b>	<b>3</b>
2003	5,439	–	5,332	376	3

The amounts shown for interest not charged in the table above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to specified Directors or specified executives.

There were no loans above \$100,000 outstanding at any time during the year from any specified directors or specified executives.

#### Terms and conditions of loans

Loans under the employee share plan are interest free. The loans are provided on a non-recourse basis and, unless the participant elects to otherwise repay the loan, the loan will be repaid from the dividends. The loans are repayable 20 years after the acquisition date of the share held under the plan or upon termination of employment of the participant with the consolidated entity. Shares issued to specified executives and Directors total 1,580 shares.

#### Other transactions with the Company or its controlled entities

Messrs AJ Clark, GL Herring and AG Rydge are directors of Carlton Investments Limited ("Carlton"). Carlton rents office space from a controlled entity. Rent is charged to Carlton at a market rate. Rent received during the financial year was \$29,018 (2003: \$28,160). The Company holds shares in Carlton. Dividends received during the year from Carlton totalled \$716,292 (2003: \$673,822).

Mr AG Rydge paid rent and levies to a controlled entity during the financial year amounting to \$13,336 (2003: \$12,957). A company associated with Mr RM Graham paid rent and levies to a controlled entity during the year amounting to \$3,809 (2003: \$3,728). Rent is charged to Mr AG Rydge and Mr RM Graham at market rates.

Apart from the details disclosed in this note, no Director or specified executive has entered into a material contract with the Company or the consolidated entity since the end of the previous year and there were no material contracts involving Directors' interests existing at balance date.

From time to time, specified Directors and specified executives of the Company or its controlled entities, or their personally-related entities, may purchase goods from the consolidated entity. These purchases are usually on the same terms and conditions as those granted to other consolidated entity employees. Where the purchases are on terms and conditions more favourable than those granted to other consolidated entity employees, the resulting benefits form part of the total remuneration outlined above.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 37 – RELATED PARTIES

### Wholly-owned group

Details of interests in wholly-owned controlled entities are set out in Note 33. Details of dealings with these entities are set out below.

### Loans

Loans between entities in the wholly-owned group are repayable at 13-months notice. Interest is charged monthly at commercial rates of interest, based on the Company's average cost of funds.

	COMPANY	
	2004 \$000	2003 \$000
Loans to controlled entities (non-current)	239,913	275,788
Interest received or due and receivable	16,101	17,996
Loans from controlled entities (non-current)	89,467	118,383
Interest paid or due and payable	9,298	13,261

The aggregate outstanding amounts at balance date of loans between the Company and its wholly-owned controlled entities and the interest revenue and expense brought to account by the Company in relation to these loans during the year is as follows:

### Management fees

The Company charges all operating and wholly-owned controlled entities a management fee equal to 3% (2003: 3%) of net operating revenue for management services provided by Directors and senior executives of the Company. Management fees charged during the year were \$9,809,000 (2003: \$8,021,000).

### Associates

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

Other transactions were:

- the sale of management services at a cost of \$1,266,000 (2003: \$934,000);
- hire of films from Roadshow Distributors Pty Ltd on normal commercial terms to a value of \$8,649,000 (2003: \$9,918,000);
- receipt of property rentals from associates of \$235,000 (2003: \$194,000); and
- receipt of advertising income from Val Morgan Holdings Pty Limited of \$1,577,000 (2003: \$739,000).

### Interest in partnerships and unit trusts

Refer to Notes 11, 30 and 35.

### Rent of premises

The Company occupies premises owned by a wholly-owned controlled entity, The Greater Union Organisation Pty Limited. The Company was not charged rent for these premises.

### Directors and specified executives

Disclosures relating to Directors and specified executives are set out in Note 36.

## NOTE 38 – SEGMENT INFORMATION

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 income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

### Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system and the differing risks and rewards associated with each business:

#### Cinema Exhibition Domestic

Includes the Australian cinema exhibition operations.

#### Cinema Exhibition International

Includes the international cinema exhibition operations in Germany, The Netherlands and the United Arab Emirates.

#### Entertainment Technology

Includes theatre equipment supply and servicing and the manufacture of film processors and related equipment and the consolidated entity's investment in the Atlab group.

#### 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, Matilda Cruises, Blue Rock Catering and State Theatre.

#### Strategic Investments

Includes investments in Roadshow Distributors, Val Morgan Holdings Pty Limited and the Roadshow Television Unit Trust.

#### Other

Includes property rental and sale of surplus property.

### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The consolidated entity operates in Australia and New Zealand, Europe, Thailand and the United Arab Emirates.

	CINEMA EXHIBITION DOMESTIC \$000	CINEMA EXHIBITION INTERNATIONAL \$000	ENTERTAINMENT TECHNOLOGY \$000	HOTELS \$000	THREDBO ALPINE RESORT \$000	LEISURE/ ATTRACTIONS \$000	STRATEGIC INVESTMENTS \$000	OTHER \$000	CONSOLIDATED \$000
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## NOTE 38 – SEGMENT INFORMATION CONTINUED

2004

### Primary reporting – Business segments

#### Revenue

External segment revenue	115,515	150,969	13,966	94,944	50,141	33,728	–	5,439	464,702
Other revenue	–	–	–	–	–	–	12,982	–	12,982
Other unallocated revenue									3,813
<b>Total revenue</b>									<b>481,497</b>

#### Result

Segment result	12,191	(65,618)	599	16,896	13,191	(1,912)	8,901	491	(15,261)
Share of net profit of equity accounted business undertakings	22,021	(23,526)	1,279	–	–	–	19,726	–	19,500
	34,212	(89,144)	1,878	16,896	13,191	(1,912)	28,627	491	4,239
Unallocated revenue and expenses									(6,633)
Borrowing costs (net)									(12,509)
<b>Loss from ordinary activities before related income tax expense</b>									<b>(14,903)</b>
Income tax expense									(16,193)
<b>Loss from ordinary activities after income tax expense</b>									<b>(31,096)</b>
Outside equity interests									(72)
<b>Net loss</b>									<b>(31,168)</b>
Depreciation and amortisation	6,724	7,043	159	4,787	5,514	4,180	–	531	28,938
Non-cash expenses other than depreciation and amortisation	3,612	384	157	250	813	603	–	(353)	5,466

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	CINEMA EXHIBITION DOMESTIC \$000	CINEMA EXHIBITION INTERNATIONAL \$000	ENTERTAINMENT TECHNOLOGY \$000	HOTELS \$000	THREDBO ALPINE RESORT \$000	LEISURE/ ATTRACTIONS \$000	STRATEGIC INVESTMENTS \$000	OTHER \$000	CONSOLIDATED \$000
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## NOTE 38 – SEGMENT INFORMATION CONTINUED

2004

### Unusual items

Profit on sale of interest in Val Morgan Holdings Pty Limited	–	–	–	–	–	–	8,901	–	8,901
German cinema operations									
– write-down in goodwill and other intangibles	–	(65,039)	–	–	–	–	–	–	(65,039)
– amortisation of goodwill subsequently written off	–	(1,373)	–	–	–	–	–	–	(1,373)
Provision for cinema lease terminations	(1,509)	–	–	–	–	–	–	–	(1,509)
Share of write-down of non-current assets of Kieft & Kieft Filmtheater GmbH	–	(15,232)	–	–	–	–	–	–	(15,232)
	(1,509)	(81,644)	–	–	–	–	8,901	–	(74,252)

<b>Assets</b>									
Segment assets	133,675	123,570	11,573	169,451	57,201	29,347	8,273	18,753	551,843
Equity accounted investments	117,493	14,235	81	–	–	–	40,423	–	172,232
Unallocated corporate assets									20,784

<b>Consolidated total assets</b>									744,859
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<b>Liabilities</b>									
Segment liabilities	32,903	94,689	4,186	37,240	13,767	4,228	–	–	187,013
Unallocated corporate liabilities									187,726

<b>Consolidated total liabilities</b>									374,739
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Acquisitions of non-current assets	3,479	318	20	5,499	2,360	496	–	15	12,187
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### Secondary reporting – geographical segments

	AUSTRALIA & NZ \$000	EUROPE \$000	OTHER \$000	CONSOLIDATED \$000
External segment revenue	311,197	153,505	–	464,702
Segment assets by location of assets	604,917	129,555	10,387	744,859
Acquisition of non-current assets	11,869	318	–	12,187

	CINEMA EXHIBITION DOMESTIC \$000	CINEMA EXHIBITION INTERNATIONAL \$000	ENTERTAINMENT TECHNOLOGY \$000	HOTELS \$000	THREDBO ALPINE RESORT \$000	LEISURE/ ATTRACTIONS \$000	STRATEGIC INVESTMENTS \$000	OTHER \$000	CONSOLIDATED \$000
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## NOTE 38 – SEGMENT INFORMATION CONTINUED

2003

### Primary reporting – business segments

#### Revenue

External segment revenue	107,013	–	26,215	85,415	43,612	27,999	–	5,614	295,868
Other revenue	748	–	26,407	–	–	–	41,830	–	68,985
Other unallocated revenue									4,195
<b>Total revenue</b>									<b>369,048</b>

#### Result

Segment result	14,117	(118)	19,794	9,997	10,368	(2,394)	(35,106)	873	17,531
Share of net profit of equity accounted business undertakings	12,837	(7,860)	2,274	–	–	–	11,693	–	18,944
	26,954	(7,978)	22,068	9,997	10,368	(2,394)	(23,413)	873	36,475

Unallocated revenues and expenses (4,953)

Borrowing costs (net) (13,964)

#### Profit from ordinary activities before related income tax expense

Income tax expense (9,751)

#### Profit from ordinary activities after income tax expense

Extraordinary items after income tax expense 22,479

**Net profit 30,286**

Depreciation and amortisation 7,257 – 462 6,027 5,486 2,984 – 505 22,721

Non cash expenses other than depreciation and amortisation 1,057 – 50 (64) 908 185 – 390 2,526

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	CINEMA EXHIBITION DOMESTIC \$000	CINEMA EXHIBITION INTERNATIONAL \$000	ENTERTAINMENT TECHNOLOGY \$000	HOTELS \$000	THREDBO ALPINE RESORT \$000	LEISURE/ ATTRACTIONS \$000	STRATEGIC INVESTMENTS \$000	OTHER \$000	CONSOLIDATED \$000
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## NOTE 38 – SEGMENT INFORMATION CONTINUED

2003

### Unusual items

Profit on sale of 50% of Atlab group	-	-	18,230	-	-	-	-	-	18,230
Loss on sale of investment in VRC	-	-	-	-	-	-	(35,106)	-	(35,106)
Provision for diminution in carrying value of loan to an associate	(2,086)	-	-	-	-	-	-	-	(2,086)
Recoveries of previous provision for diminution in carrying value of investment and loan to an associate	350	-	-	-	-	-	-	-	350
Share of write-down in carrying value of cinema sites in joint ventures and associated companies	-	(6,187)	-	-	-	-	-	-	(6,187)
	(1,736)	(6,187)	18,230	-	-	-	(35,106)	-	(24,799)

<b>Assets</b>									
Segment assets	147,075	4,410	7,581	168,909	64,108	29,357	23,615	17,890	462,945
Equity accounted investments	125,058	94,874	81	-	-	-	23,027	-	243,040
Unallocated corporate assets									11,392

<b>Consolidated total assets</b>									717,377
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<b>Liabilities</b>									
Segment liabilities	65,798	14	1,618	45,313	16,530	5,710	-	-	134,983
Unallocated corporate liabilities									163,755

<b>Consolidated total liabilities</b>									298,738
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Acquisitions of non-current assets	10,722	-	155	4,112	1,969	4,402	-	87	21,447
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### Secondary reporting – geographical segments

	AUSTRALIA & NZ \$000	EUROPE \$000	OTHER \$000	CONSOLIDATED \$000
External segment revenue	293,841	2,027	-	295,868
Segment assets by location of assets	616,122	92,732	8,523	717,377
Acquisition of non-current assets	21,447	-	-	21,447

	NOTE	CONSOLIDATED		COMPANY	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000

## NOTE 39 – NOTES TO THE STATEMENTS OF CASH FLOWS

### (i) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short-term deposits at call. Cash as at the end of the year as shown in the statements of cash flows is reconciled to the related items in the balance sheets as follows:

Cash on hand and on deposit	10	25,305	15,215	101	97
Bank overdrafts	20	–	–	(1,102)	(1,141)
Short-term deposits	11	165	524	–	–
		25,470	15,739	(1,001)	(1,044)

### (ii) Reconciliation of (loss)/profit from ordinary activities after related income tax expense to net cash provided/(used) by operating activities

(Loss)/profit from ordinary activities after income tax expense		(31,096)	7,807	6,703	778
Add extraordinary item:					
Costs associated with Thredbo road collapse		–	22,479	–	–
Less items classified as investing activities:					
(Profit)/loss on sale of non-current assets		(9,436)	(1,276)	(663)	3,360
Add/(less) non-cash items:					
Intercompany revenue		–	–	(25,917)	(10,764)
Increase in provisions for diminution in carrying value of loan to an associate		–	2,086	–	–
Loss on sale of investment in Village Roadshow Corporation Limited		–	35,106	–	–
Write-down in goodwill and other intangibles		65,039	–	–	–
Profit on sale of 50% interest in Atlab group		–	(18,230)	–	–
Depreciation		23,784	17,993	55	60
Amortisation		5,154	4,728	–	–
(Decrease)/increase in provisions		(6,426)	(2,561)	102	375
Increase in income taxes payable		2,117	1,733	1,066	2,102
Share of associates' net loss/(profit)		2,058	(4,079)	–	–
Unrealised foreign exchange losses		(735)	(204)	–	–
Net cash provided/(used) by operating activities before change in assets and liabilities		50,459	65,582	(18,654)	(4,089)
Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired/disposed during the year:					
(Increase)/decrease in receivables		(1,594)	2,026	(1,235)	(214)
(Increase)/decrease in inventories		(1,538)	30	–	–
Decrease in investments		20,815	12,529	–	–
Increase in other current assets		(1,458)	(3,610)	–	–
Increase in deferred expenditure		(317)	(109)	–	–
Increase/(decrease) in creditors and accruals		1,802	(5,034)	(662)	80
Increase/(decrease) in deferred tax items		1,137	(527)	75	(3,412)
Increase/(decrease) in other liabilities		1,151	2,419	(351)	38
Net cash provided/(used) by operating activities		70,457	73,306	(20,827)	(7,597)

### (iii) Non-cash financing and investment activities

On 2 December 2003, an agreement was effected to acquire a further 50% interest in Kieft & Kieft Filmtheater GmbH, thereby taking the consolidated entity's interest in Kieft & Kieft Filmtheater GmbH to 100% and 50% in Neue Filmopalast GmbH & Co. KG. The consideration paid for the transfer was the release of loan obligations by the vendors. Further details are disclosed at Note 32.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 40 – EVENTS SUBSEQUENT TO BALANCE DATE

### Dividends

For final dividends declared after 30 June 2004, see Note 8.

### Option granted over shares in quoted company

Subsequent to year end, the Company has granted an option to an unrelated company to purchase the shareholding in a quoted company held by a controlled entity.

The option can be exercised within the period from 1 September 2004 to 31 December 2005. The option price per share is the higher of a set amount or an average of the market value for the prior 30 days trading. A potential gain on disposal of \$4,180,000 would be recognised in the statement of financial performance if and when the option is exercised at the set minimum option price.

## NOTE 41 – INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the year ending 30 June 2006, the consolidated entity will have to comply with International Financial Reporting Standards (“IFRS”) as issued by the Australian Accounting Standards Board (“AASB”).

The AASB has issued Australian equivalent IFRS standards (“AIFRSs”). The adoption of AIFRSs will be first reflected in the consolidated entity’s financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

The Company has established a project team to manage the transition to AIFRSs. The responsibilities of the project team include training of staff and system changes required to gather all the required financial information to meet new reporting requirements. It is also the responsibility of the project team to prepare, continually review and update a conversion plan for changes to accounting policies, accounting policy guides, reporting structures and system and business processes. The project team is chaired by the Director Finance and Accounting and reports quarterly to the Audit Committee. The project team has prepared a timetable for managing the transition to AIFRSs. The project team has completed a high level identification of the key differences in accounting policies and disclosure that are expected to arise from the adoption of AIFRSs.

This financial report has been prepared in accordance with current Australian accounting standards and other financial reporting requirements (“Australian GAAP”). Those differences between Australian GAAP and AIFRSs that have been identified as potentially having an effect on the consolidated entity’s financial performance and financial position are summarised below. This summary should not be taken as an exhaustive list of all the differences between the Australian GAAP and AIFRSs. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not yet completed a detailed quantification of the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this Financial Report would not be significantly different if determined in accordance with AIFRSs.

Regulatory bodies that promulgate Australian GAAP and AIFRSs have significant ongoing projects that could affect the differences between Australian GAAP and AIFRSs described below and the impact of these differences relative to the consolidated entity’s financial reports in the future. The impact on financial report balances for future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to AIFRSs on the consolidated entity are as follows:

### Intangible assets – goodwill

Under AASB 3 “Business Combinations”, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the discounted future cash flows of the related cash generating unit. This will result in a change to the consolidated entity’s current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

For the year ended 30 June 2004 the consolidated entity included in its expenses amortisation of goodwill, carried in the statement of financial position as at 30 June 2004, amounting to \$1,175,000. This amortisation expense excludes amortisation on goodwill, which was written off as an unusual item during the year. Also expensed against equity accounted results for the year ended 30 June 2004 was amortisation in respect of goodwill relating to investments in associates and partnerships amounting to \$2,112,000.

### Impairment of assets

Under AASB 136 “Impairment of Assets”, the recoverable amount of an asset is determined as the higher of net selling price (fair value) and value in use. The “value in use” is required to be determined using discounted projected future cash flows and impairment will be assessed at the cash generating unit level. This will result in a change in the consolidated entity’s current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy, it is possible that impairment of assets will be recognised sooner.

It is not presently anticipated that this change will have a material impact on the carrying value of assets of the consolidated entity; however, reliable estimation of the financial effect in future reporting periods of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

## NOTE 41 – INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

### Share-based payments

Under AASB 2 “Share-based Payments”, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the statement of financial performance. This standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002, which have not vested as at 1 January 2005.

In determining remuneration of specified directors and specified executives of the consolidated entity, as disclosed in Note 36, amounts shown as relating to share-based payments have been determined using the valuation methodology in AASB 1046. Although this valuation methodology is slightly different to that prescribed in AASB 2, this difference is not anticipated to be material nor is the overall impact of this future change in accounting requirements anticipated to be material, based on the present level of employee options on issue. The present level of employee options on issue is disclosed in Note 28.

### Investments in associates and joint ventures

Under AASB 128 “Investment in Associates” and AASB 131 “Interest in Joint Ventures”, the equity accounting method will be required to be used. This is consistent with the current method used by the consolidated entity. In determining the carrying value of investments under IFRS; an AIFRSs “notional” balance sheet for the associate or joint venture, at the date of transition, will be required to be prepared. This could result in adjustments to the carrying value of interests in associates and joint ventures; however any adjustment is not currently anticipated to be material.

As noted above, amortisation of “notional” goodwill arising in the associate or joint venture in applying the equity accounting method will not be amortised and will be replaced by annual impairment testing.

### Financial instruments

Under AASB 139 “Financial Instruments: Recognition and Measurement”, financial instruments will be required to be classified into one of five categories, which will, in turn, determine the accounting treatment of the item. The classifications are: “loans and receivables” – measured at amortised cost; “held to maturity” – measured at amortised cost; “held for trading” – measured at fair value with fair value changes charged to net profit or loss; “available for sale” – measured at fair value with fair value changes taken to equity; and “non-trading liabilities” – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on the statement of financial position.

Investments held in shares quoted on a Stock Exchange may be classified as “available for sale” financial assets. As stated above, “available for sale” assets are measured at fair value and changes in the fair value are recognised directly in equity, through the statement of change in equity. The cumulative gain or loss that has been recognised in equity is recognised in the reported profit or loss when an “available for sale” financial asset is sold.

The consolidated entity also has a number of hedging instruments in place to manage interest rate exposures and may from time to time have hedging instruments in place to manage exchange rate exposures. AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first IFRS comparative year and first-time adoption of this standard will apply from 1 July 2005.

The impact of this change will be to increase total assets in respect of financial assets required to be measured at fair value and increase total assets and total liabilities due to the recognition of hedge instruments and related debt at fair values in the statement of financial position. It is not anticipated that these new requirements will have a material impact on reported profits.

### Investment properties

Under AASB 140 “Investment Property”, an entity must choose to apply either the fair value basis or the cost basis as its accounting policy in respect of investment property and must apply that policy to all of its investment property. An investment property is a property held to earn rentals or for capital appreciation or both. If investment properties are measured at fair value, gains or losses arising from changes in fair value on the investment properties are recognised in the results for the period in which they arise. Owner occupied properties may be classified as investment properties if owner occupation is deemed “insignificant”.

If the consolidated entity elects to measure investment properties at fair value, it is not anticipated that this change would have a material impact on consolidated entity’s future reported results; however, there will be an increase in total asset values in the statement of financial position.

### Income tax

Under AASB 112 “Income Taxes”, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity’s assets and liabilities in the statement of financial position and their associated tax bases. In addition, where current and deferred taxes are attributable to amounts recognised directly in equity, these tax balances are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

It is not presently anticipated that this change will have a material impact on future reported results of the consolidated entity, however there will be an increase in the value of deferred tax assets and deferred tax liabilities carried in the statement of financial position.

# DIRECTORS' DECLARATION

1. In the opinion of the Directors of Amalgamated Holdings Limited:

a) the financial statements and notes, set out on pages 33 to 89, are in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
- ii) complying with Accounting Standards in Australia 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 subsidiaries identified in Note 31 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Sydney this 26th day of August 2004.

Signed in accordance with a resolution of the Directors:



**AG Rydge**  
Director



**DC Seargeant**  
Director

# INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF AMALGAMATED HOLDINGS LIMITED

## Scope

### The financial report and directors' responsibility

The Financial Report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying Notes (1 to 41) to the financial statements, and the Directors' declaration for both Amalgamated Holdings Limited (the "Company") and Amalgamated Holdings Limited Group (the "Consolidated Entity"), for the year ended 30 June 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the Financial Report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Financial Report.

### Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the Financial Report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the Financial Report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit opinion

In our opinion, the Financial Report of Amalgamated Holdings Limited is in accordance with:

- a) the Corporations Act 2001, including:
  - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

A Walsh  
Partner

Sydney  
26th August 2004

# SUPPLEMENTARY INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report is set out below.

## SHAREHOLDINGS (AS AT 31 AUGUST 2004)

### 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
Enbear Pty Limited	56,598,377*
Carlton Investments Limited	56,588,377
Maple-Brown Abbott Limited	12,495,740
Investors Mutual Limited	12,273,840
Perennial Value Management Limited	11,022,291

\* Includes Carlton Investment Limited holding

### Voting Rights

#### Ordinary shares

There were 4,576 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 –

- at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney; and
- 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 87 holders of options of the Company. There are no voting or dividend rights attached to the options.

### Distribution of Equity Holders

	OPTIONS		ORDINARY SHARES	
	NUMBER OF OPTIONHOLDERS	NUMBER OF OPTIONS HELD	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD
1 – 1,000	–	–	2,197	1,058,760
1,001 – 5,000	15	66,100	1,514	4,025,257
5,001 – 10,000	23	184,700	404	3,037,996
10,001 – 100,000	40	1,437,500	421	10,299,239
100,001 and over	9	2,770,000	40	106,393,190
	87	4,458,300	4,576	124,814,442

Number of shareholders holding less than a marketable parcel is 383.

#### Unquoted Ordinary Shares

There were 499,240 unquoted ordinary shares issued pursuant to the employee share plan. The shares were held by 551 holders.

#### Share Registry

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
GPO Box 7045  
Sydney NSW 1115  
Telephone 1300 855 080  
Facsimile 02 8234 5050

#### On-market Buy Back

There is no current on-market buy back.

#### Company Secretaries

Ms JP Boland, LLB  
Mr GC Dean, BBus (Acc),  
Grad Dip CSP, CA

#### Registered Office

The registered office of the Company is:  
Level 10  
49 Market Street  
Sydney NSW 2000  
Telephone 02 9373 6600  
Facsimile 02 9373 6534

#### Other Information

Amalgamated Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. Shares are listed on the Australian Stock Exchange under the code AHD.

### Twenty largest shareholders

The names of the twenty largest holders of the quoted shares are:

	NUMBER OF SHARES HELD	PERCENTAGE OF CAPITAL HELD
Enbear Pty Limited	28,028,359	22.5
Eneber Investment Company Limited	16,045,906	12.9
RBC Global Services Australia Nominees Pty Limited	12,495,740	10.0
RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	8,130,904	6.5
National Nominees Limited	4,897,944	3.9
The Manly Hotels Pty Limited	4,625,001	3.7
Carlton Hotel Limited	4,262,225	3.4
IOOF Investment Management Limited	3,590,342	2.9
Alphoeb Pty Limited	3,203,846	2.6
Westpac Custodian Nominees Limited	3,173,044	2.5
JP Morgan Nominees Australia Limited	2,935,995	2.4
Queensland Investment Corporation	1,569,628	1.3
Mr AG Rydge	1,525,975	1.2
Cogent Nominees Pty Limited	1,510,559	1.2
Portfolio Custodian Limited	1,000,000	0.8
Sandhurst Trustees Limited (SISF A/C)	1,000,000	0.8
Citicorp Nominees Pty Limited	966,686	0.8
TN Phillips Investments Pty Limited	900,047	0.7
Australian United Investment Company Limited	800,000	0.6
Argo Investments Limited	752,392	0.6
	101,414,593	81.3

### Annual General Meeting

The Annual General Meeting will be held at 10am on 22 October 2004 at The State Ballroom, State Theatre, 49 Market Street, Sydney NSW 2000.

[www.ahl.com.au](http://www.ahl.com.au)

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