

financial report

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CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2002

This statement outlines the main corporate governance practices that were in place during the financial year.

BOARD OF DIRECTORS AND ITS COMMITTEES

The Board is responsible for the overall corporate governance of AHL (the “Company”) and its controlled entities (the “consolidated entity”). The Board approves the strategic direction of the consolidated entity, and confirms management goals and monitors the achievement of those goals. The Board is also responsible for the consolidated entity’s financial statements, internal control systems and the independence of the consolidated entity’s auditors. The Board has established a framework for the management of the consolidated entity including an overall internal control monitoring process, a business risk management process and an environment of appropriate ethical standards. To assist in the execution of its responsibilities, the Board has in place an Audit Committee and a 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 independent¹ Directors
- the Board should comprise Directors with a broad range of expertise both nationally and internationally.

The Chairman of the Board is a non-executive Director. 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 thereafter until the age of 72, after which the Director must stand annually and be re-elected by Special Resolution. The terms and conditions of the appointment and the retirement of Directors, including the Managing Director, are first considered by the Remuneration Committee and then recommended for determination by the Board. A formal letter of appointment is provided to all incoming non-executive Directors. The performance of all Directors is reviewed by the Chairman on an annual basis.

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 interest exists, the Director concerned does not receive the relevant Board papers and is not present at the 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 may visit facilities of the consolidated entity and meet with management to gain a better understanding of business operations.

DIRECTOR’S DEALING IN COMPANY SHARES

The Constitution allows Directors to acquire shares in the Company. It is the policy of the Company however 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.

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.

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right of access to all relevant Company information and to the consolidated entity's executives and the right to seek independent professional advice at the Company's expense. However, prior notification to the Chairman is required, as is compliance with any policy or procedure adopted by the Board in respect of seeking such advice.

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 where these are available, 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 independent¹, and is chaired by a Director other than the Chairman of the Board. All Committee members are familiar with finance and accounting procedures.

The members of the Audit Committee during the year were:

Mr. GL Herring (Chairman) – non-executive independent¹ Director

Mr. AG Rydge – non-executive (from 1 January 2002) Director

Mr. AJ Lane – non-executive independent¹ Director

Mr. RM Graham – non-executive independent¹ Director.

The Managing Director, Director Finance and Accounting, the Group Accounting Manager, 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. 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 and approving the annual audit fee
- liaising with the external auditors and ensuring that the annual statutory audit and half year reviews are conducted in an effective manner
- considering whether material non-audit services provided by the external auditors are consistent with maintaining the external auditors independence
- approving the annual internal audit plan, evaluating and monitoring the internal audit function
- reviewing internal and external audit reports
- monitoring the review of the effectiveness of management information systems, and systems of internal control
- reviewing reports on frauds and theft from the consolidated entity
- 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 Committee has a process of meeting with the external auditors without the presence of management at least twice per year.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

REMUNERATION COMMITTEE

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to Directors, including the Managing Director, senior executives and employees. The remuneration of non-executive Directors is within an upper limit set by shareholders at an Annual General Meeting. The Committee also plays a role in senior executives' performance evaluation and management succession planning. The majority of the Committee members are non-executive Directors.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives. The Remuneration Committee obtains independent advice as appropriate on the level of remuneration packages. The remuneration packages of all senior executives include an at-risk component that is linked to the overall financial and operational performance of the Company. Senior executives participate in the Company's Management Option Plan, the benefits of which are conditional upon the Company achieving certain performance criteria, details of which are included in this Annual Report. The Company also has an Employee Share Plan.

The members of the Remuneration Committee during the year were:

Mr. AJ Clark – non-executive independent¹ Director

Mr. GL Herring – non-executive independent¹ Director

Mr. AG Rydge – non-executive (from 1 January 2002) Director

Mr. DC Seargeant – Managing Director.

The Remuneration Committee meets as required. Details of Directors' remuneration, and the remuneration of the highest paid executives of both the Company and the consolidated entity are set out in the Directors' Report.

INTERNAL AUDIT

The Group Internal Audit Manager assists the Board in ensuring compliance with internal control policies. 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.

SIGNIFICANT BUSINESS RISK

The Board is responsible for reviewing areas of significant business risk to ensure a full analysis is undertaken of the risks involved. These matters are analysed and discussed at least annually as part of the detailed business planning process for each of the individual operating areas of the consolidated entity and more frequently as required. The Board provides assistance to management in the development and maintenance of processes to minimise and mitigate business risks.

ETHICAL STANDARDS

The consolidated entity has in place a number of manuals that set out the standards, in accordance with which managers and employees of the consolidated entity are expected to act. The requirement to comply with such ethical standards is communicated to managers and employees through these manuals. The manuals include an employee manual, which is provided to employees at commencement of employment, a Code of Ethics and Conduct, and a Legal Compliance Manual, both of which are provided to management and relevant staff.

These manuals deal with the following main areas:

- professional conduct
- dealing with customers and consumers
- dealing with suppliers
- dealing with advisers and regulators
- dealing with competitors
- dealing with the community and with other employees
- compliance with the law.

ENVIRONMENT

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State/Territory legislation.

The consolidated entity has an established environmental reporting system for its environmentally sensitive businesses of Atlab and Thredbo, which monitors compliance with existing environmental regulations and new regulations as they are enacted. The reporting system includes procedures to be followed should an incident occur which adversely impacts the environment.

The Directors are not aware of breaches of the 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 consolidated entity.

SHAREHOLDER AND MARKET INFORMATION

The Board aims to ensure that all shareholders and investors have equal access to the Company's information and that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Listing Rules. The Chairman, Managing Director, Director Finance and Accounting, and Company Secretary are responsible for ensuring compliance with these aims and informing the Board. The Company Secretary is responsible for all communications with the ASX. The Company considers it has complied with all of its continuous disclosure obligations.

Information is communicated to shareholders as follows:

- 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 Chairman's address, which 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 above information is also included on the Company's Internet site (www.ahl.com.au).

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 responsible for voting on the election of Directors.

¹ An independent Director is a Director who:

- is not a member of management
- is not a substantial shareholder
- is not a significant supplier or customer or associated with a significant supplier or customer to the consolidated entity
- has no significant contractual relationship with the consolidated entity
- has not been employed by any company in the consolidated entity within the last three years
- is not a principal of a professional adviser to the consolidated entity

DIRECTORS' REPORT

The Directors present their report together with the financial report of Amalgamated Holdings Limited (the "Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2002 and the auditors' report thereon.

DIRECTORS

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

Mr AG Rydge (Chairman)
 Mr AJ Clark
 Mr TC Ford
 Mr RM Graham
 Mr GL Herring
 Mr AJ Lane
 Mr DC Seargeant.

Particulars of the qualifications and experience of each Director, as at the date of this report, are set out on page 5 of this Annual Report.

DIRECTORS' MEETINGS

The number of full Board of Directors' meetings, Directors' meetings for specific issues, Audit Committee meetings and Remuneration Committee meetings is shown in the table below, together with the number of meetings attended by each of the Directors of the Company during the financial year:

| | Full Board of Directors' meetings | | Directors' meetings for specific issues | | Audit Committee meetings | | Remuneration Committee meetings | |
|-----------------|--------------------------------------|------------------|--|------------------|-----------------------------|------------------|------------------------------------|------------------|
| | Meetings attended | Meetings held | Meetings attended | Meetings held | Meetings attended | Meetings held | Meetings attended | Meetings held |
| Director | | | | | | | | |
| Mr AG Rydge | 11 | 11 | 1 | 1 | 4 | 4 | 1 | 1 |
| Mr AJ Clark | 10 | 11 | 1 | 1 | ^A | ^A | 1 | 1 |
| Mr TC Ford | 10 | 11 | 0 | 1 | ^A | ^A | ^A | ^A |
| Mr RM Graham | 11 | 11 | 1 | 1 | 4 | 4 | ^A | ^A |
| Mr GL Herring | 10 | 11 | 1 | 1 | 4 | 4 | 1 | 1 |
| Mr AJ Lane | 11 | 11 | 1 | 1 | 3 | 4 | ^A | ^A |
| Mr DC Seargeant | 11 | 11 | 1 | 1 | 4 ^B | 4 ^B | 1 | 1 |

^A Reflects non-requirement to attend meetings.

^B Mr DC Seargeant attended Audit Committee meetings by invitation.

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
- operation of a film processing laboratory and post-production facility
- supply of theatre and film laboratory equipment
- operation 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
- investment in shares in various listed and unlisted companies
- ownership and operation of a catering business
- ownership and operation of the State Theatre, Sydney.

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

REVIEW OF OPERATIONS

A review of operations of the consolidated entity is set out in pages 7 to 14 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 |
|--|-----------------|---------------------|-----------------|------------------------------|
| As proposed and provided for in last year's report: | | | | |
| - Final - Ordinary shares | 5.0 | 6,241 | 19 Oct 2001 | 30% (Class C) |
| In respect of the current financial year: | | | | |
| - Interim - Ordinary shares | 5.0 | 6,241 | 12 Apr 2002 | 30% (Class C) |
| - Final - Ordinary shares | 6.0 | 7,489 | 3 Oct 2002 | 30% (Class C) |
| | | 13,730 | | |

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

STATE OF AFFAIRS

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

- The consolidated entity acquired property, plant and equipment totalling \$30.9 million during the year. The expenditure related primarily to the additional new cinema sites at Hornsby, Cairns and Brisbane, the construction of a catwalk ski trail and new snow-grooming equipment at Thredbo, and additional hotel refurbishments
- The consolidated entity made additional investments in partnerships and associates totalling \$10.8 million during the year. In addition, loans to partnerships and associates were reduced by \$3.6 million
- The consolidated entity purchased the Blue Rock Catering business during the year. The catering operations of this business operate predominantly within the Sydney market. The acquisition cost of the business was \$2.6 million
- During the year, agreements were signed with a syndicate of banks for the provision of a \$280 million three-year facility to refinance the debt of the consolidated entity. In addition, agreements were signed for working capital facilities of approximately \$19 million to replace the previous facilities that were in place.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State/Territory legislation.

The consolidated entity has an established environmental reporting system, for its environmentally sensitive businesses of Atlab and Thredbo, which monitors compliance with existing environmental regulations and new regulations as they are enacted. The reporting system is documented in a legal compliance manual and includes procedures to be followed should an incident occur which adversely impacts the environment.

The Directors are not aware of breaches of the 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 consolidated entity.

EVENTS SUBSEQUENT TO BALANCE DATE

Since 30 June 2002, the Company has completed an agreement with a subsidiary of The Rank Group Plc for the sale of 50% of its shareholding in the Atlab group of companies. The consideration for the sale is \$26.4 million and the anticipated profit from the sale is approximately \$18 million.

Other than the matter referred to above, 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 this Annual Report in both the Chairman's review and the Managing Director's review of operations.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

The 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, motivating and retaining people of the highest quality.

Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to their performance and that of the consolidated entity. Options are also issued from time to time under the Management Option Plan. The ability to exercise the options is conditional on the consolidated entity achieving certain performance hurdles. Non-executive Directors do not receive any performance-related remuneration.

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 \$ | Superannuation contributions \$ | Retirement benefits ^(a) \$ | Total \$ |
|---|-------------------------|---------------|----------------------------|---------------------------------------|---|-------------|
| Director | | | | | | |
| <i>Non-executive</i> | | | | | | |
| Mr AG Rydge (executive Director to 1 January 2002) | 396,582 | 125,000 | 9,428 | 9,845 | 56,473 | 597,328 |
| Mr AJ Clark | 42,000 | - | 469 | 3,360 | - | 45,829 |
| Mr TC Ford | 42,000 | - | - | 3,360 | - | 45,360 |
| Mr RM Graham | 47,900 | - | - | 3,832 | - | 51,732 |
| Mr GL Herring | 47,900 | - | 975 | 3,832 | - | 52,707 |
| Mr AJ Lane | 47,900 | - | 124 | 3,832 | - | 51,856 |
| <i>Executive</i> | | | | | | |
| Mr DC Seargeant | 591,116 | 260,000 | 18,952 | 8,803 | - | 878,871 |
| Executive officer (excluding Directors) | | | | | | |
| The Company | | | | | | |
| Mr EC Gotham (retired on 22 March 2002) | 152,748 | 60,000 | 4,377 | 116,958 | 83,799 | 417,882 |
| Mr PW Horton (commenced employment on 4 February 2002) | 114,488 | - | - | 9,446 | - | 123,934 |
| Mr GL Lopez (transferred to the Company on 1 February 2002) | 105,023 | - | 17,210 | 6,620 | - | 128,853 |
| Consolidated | | | | | | |
| Mr EC Gotham | 152,748 | 60,000 | 4,377 | 116,958 | 83,799 | 417,882 |
| Mr RJ Parton | 289,154 | 30,000 | 44,829 | 38,729 | - | 402,712 |
| Mr J Smits (ceased employment on 21 June 2002) | 196,329 | 34,904 | 6,427 | 8,803 | 139,207 | 385,670 |
| Mr M Forrest | 237,782 | 40,000 | 33,653 | 51,738 | - | 363,173 |
| Mr AM Cocks | 215,523 | 50,000 | 21,458 | 29,517 | - | 316,498 |

^(a) Retirement benefits include annual leave, long service leave and other entitlements paid.

OPTIONS

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following of the five most highly remunerated executive officers of the Company and the consolidated entity:

| | Number of options granted | Exercise price | Expiry date |
|--------------------------|------------------------------|----------------|-------------------|
| Executive officer | | | |
| The Company | | | |
| Mr PW Horton | 100,000 | \$2.26 | 30 September 2006 |
| Mr GL Lopez | 100,000 | \$2.26 | 30 September 2006 |
| Consolidated | | | |
| Mr RJ Parton | 100,000 | \$2.26 | 30 September 2006 |
| Mr J Smits ¹ | 50,000 | \$2.26 | 30 September 2006 |
| Mr M Forrest | 100,000 | \$2.26 | 30 September 2006 |
| Mr AM Cocks | 50,000 | \$2.26 | 30 September 2006 |

¹ Options issued lapsed on cessation of employment.

There were no options issued to Directors during the year.

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

| Expiry date | Exercise price | Number of shares |
|-------------------|----------------|------------------|
| 17 December 2002 | \$5.75 | 66,000 |
| 30 October 2005 | \$2.27 | 400,000 |
| 30 September 2006 | \$2.26 | 1,445,000 |
| 30 September 2006 | \$2.59 | 100,000 |

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

DIRECTORS' INTERESTS

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

| Director | Ordinary shares | | |
|-----------------|-----------------|--|--------------------------|
| | Held directly | Held by companies in which a Director has a beneficial interest | Options held directly |
| Mr AG Rydge | 1,526,455 | 56,177,699 | - |
| Mr AJ Clark | 40,000 | - | - |
| Mr TC Ford | - | 10,000 | - |
| Mr RM Graham | 10,626 | - | - |
| Mr GL Herring | 27,382 | - | - |
| Mr AJ Lane | - | 72,000 | - |
| Mr DC Seargeant | 25,000 | - | 400,000 |

In addition to the above, Mr GL Herring is chairman of Amalgamated Holdings Superannuation Fund Pty Limited, a company which holds 477,564 ordinary shares in the Company.

DIRECTORS' REPORT (CONTINUED)

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, GL Herring, AJ Lane and DC Seargeant, who is or who has been a Director or alternate Director of the Company or of any related body corporate of the Company. The indemnity also extends to such other officers or former officers, including executive officers or former executive officers, of the Company and of any related body corporate of the Company as the Directors of the Company determine.

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

The Company has provided Directors' and officers' liability insurance policies 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 Australian Securities & Investments Commission ("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 19th day of September 2002.

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 2002

| | Note | Consolidated | | The Company | |
|---|----------|----------------|----------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Revenue from sale of goods | 3 | 101,177 | 103,358 | - | - |
| Revenue from rendering of services | 3 | 215,989 | 208,808 | - | - |
| Other revenues from ordinary activities | 3 | 34,745 | 33,342 | 33,307 | 41,741 |
| Total revenue | 3 | 351,911 | 345,508 | 33,307 | 41,741 |
| Depreciation and amortisation expenses | 4(a) | (23,511) | (22,383) | (104) | (106) |
| Borrowing costs | 4(a) | (19,467) | (18,476) | (18,995) | (17,029) |
| Employee expenses | | (97,147) | (94,277) | (3,118) | (3,648) |
| Film expenses | | (68,720) | (64,207) | - | - |
| Occupancy expenses | | (35,832) | (35,430) | (288) | (396) |
| Purchases and other direct expenses | | (39,635) | (43,996) | - | - |
| Advertising, commissions and marketing expenses | | (10,893) | (11,626) | - | - |
| Carrying value of non-current assets sold | | (11,052) | (8,841) | (664) | (4,860) |
| Provision for diminution in carrying value of loan to an associate | | - | (3,337) | - | - |
| Provision for diminution in carrying value of interests in partnerships | | (2,137) | - | - | - |
| Provision for diminution in carrying values of loans to controlled entities | | - | - | - | (3,464) |
| Other expenses from ordinary activities | | (25,340) | (23,756) | (1,400) | (967) |
| Share of net profit/(loss) accounted for using the equity method: | | | | | |
| associates | 34 | 4,713 | (143) | - | - |
| partnerships | 35 | 13,004 | 10,351 | - | - |
| unit trusts | 35 | 3,552 | 4,642 | - | - |
| Profit from ordinary activities before related income tax expense | | 39,446 | 34,029 | 8,738 | 11,271 |
| Income tax expense relating to ordinary activities | 6(a) | (9,634) | (10,626) | (2,313) | (2,833) |
| Profit from ordinary activities after related income tax expense | | 29,812 | 23,403 | 6,425 | 8,438 |
| Loss from extraordinary item after related income tax expense | 7 | (1,414) | (512) | - | - |
| Net profit attributable to members of the parent entity | | 28,398 | 22,891 | 6,425 | 8,438 |
| Non-owner transaction changes in equity | | | | | |
| Equity accounted (decrease)/increase in reserves of associates: | | | | | |
| Asset revaluation reserve | 25 | (3) | (592) | - | - |
| Asset realisation reserve | 25 | (2) | 291 | - | - |
| General reserve | 25 | (1,037) | (946) | - | - |
| Foreign currency translation reserve | 25 | (5,216) | 4,353 | - | - |
| | | (6,258) | 3,106 | - | - |
| Net exchange difference on translation of financial statements of self-sustaining foreign operations | 25 | 2,214 | 1,153 | - | - |
| Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity | | (4,044) | 4,259 | - | - |
| Total changes in equity from non-owner related transactions attributable to the members of the parent entity | | 24,354 | 27,150 | 6,425 | 8,438 |
| Basic earnings per share | 9 | \$0.23 | \$0.18 | | |
| Diluted earnings per share | 9 | \$0.23 | \$0.18 | | |

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 34 to 80.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2002

| | Note | Consolidated | | The Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| CURRENT ASSETS | | | | | |
| Cash assets | 10 | 10,322 | 28,367 | 89 | 8,227 |
| Receivables | 11 | 64,990 | 63,268 | 65 | 106 |
| Inventories | 12 | 13,718 | 13,685 | - | - |
| Other | 15 | 3,748 | 3,996 | 27 | 49 |
| TOTAL CURRENT ASSETS | | 92,778 | 109,316 | 181 | 8,382 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 11 | 7,228 | 9,488 | 327,104 | 358,052 |
| Investments accounted for using the equity method | 14 | 198,348 | 273,506 | - | - |
| Other financial assets | 13 | 89,283 | 22,850 | 43,155 | 43,714 |
| Property, plant and equipment | 16 | 340,452 | 339,368 | 190 | 364 |
| Intangible assets | 17 | 11,441 | 11,437 | - | - |
| Deferred tax assets | 6(d) | 10,048 | 9,406 | 388 | 365 |
| Other | 18 | 4,095 | 3,011 | - | - |
| TOTAL NON-CURRENT ASSETS | | 660,895 | 669,066 | 370,837 | 402,495 |
| TOTAL ASSETS | | 753,673 | 778,382 | 371,018 | 410,877 |
| CURRENT LIABILITIES | | | | | |
| Payables | 19 | 38,408 | 38,203 | 1,201 | 1,210 |
| Interest bearing liabilities | 20 | 22,115 | 25,307 | 235 | - |
| Current tax liabilities | 6(b) | 2,042 | 5,514 | 906 | 2,592 |
| Provisions | 22 | 15,111 | 13,704 | 7,802 | 6,589 |
| Other | 23 | 9,543 | 11,086 | - | - |
| TOTAL CURRENT LIABILITIES | | 87,219 | 93,814 | 10,144 | 10,391 |
| NON-CURRENT LIABILITIES | | | | | |
| Interest bearing liabilities | 20 | 235,384 | 264,177 | 143,108 | 175,483 |
| Deferred tax liabilities | 6(c) | 14,008 | 14,348 | 19 | 48 |
| Provisions | 22 | 2,804 | 2,624 | 755 | 658 |
| Other | 23 | 739 | 524 | - | - |
| TOTAL NON-CURRENT LIABILITIES | | 252,935 | 281,673 | 143,882 | 176,189 |
| TOTAL LIABILITIES | | 340,154 | 375,487 | 154,026 | 186,580 |
| NET ASSETS | | 413,519 | 402,895 | 216,992 | 224,297 |
| EQUITY | | | | | |
| Contributed equity | 24 | 89,311 | 89,311 | 89,311 | 89,311 |
| Reserves | 25 | 128,463 | 133,545 | 36,259 | 36,259 |
| Retained profits | 26 | 195,745 | 180,039 | 91,422 | 98,727 |
| TOTAL EQUITY | | 413,519 | 402,895 | 216,992 | 224,297 |

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on page 34 to 80.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2002

| | Note | Consolidated | | The Company | |
|--|--------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash receipts in the course of operations | | 346,526 | 351,491 | - | - |
| Cash payments in the course of operations | | (318,199) | (294,270) | (5,687) | (5,446) |
| Dividends received | | 1,538 | 1,687 | 631 | 780 |
| Interest received | | 693 | 1,005 | 207 | 556 |
| Other revenue | | 42,966 | 36,041 | 921 | 843 |
| Borrowing costs paid | | (18,358) | (18,853) | (4) | (7) |
| Income tax refunded | | 2,986 | - | - | - |
| Income taxes paid | | (16,069) | (13,719) | (3,729) | (2,169) |
| NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | 40(ii) | 42,083 | 63,382 | (7,661) | (5,443) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sale of investments | | 2,424 | 6,358 | 2,424 | 6,357 |
| Proceeds from sale of other non-current assets | | 13,405 | 6,008 | - | 339 |
| Payments for property, plant and equipment | | (23,291) | (31,610) | (36) | (61) |
| Payments for investments | | (10,770) | (26,205) | - | - |
| Payments for the acquisition of new businesses | | (2,395) | (250) | - | - |
| Return of capital from partnerships | | 6,475 | - | - | - |
| Decrease in loans to other entities | | 2,804 | 800 | 54 | 138 |
| Decrease/(increase) in loans to associates and to partnerships | | 3,601 | (10,024) | - | - |
| NET CASH (USED)/PROVIDED BY INVESTING ACTIVITIES | | (7,747) | (54,923) | 2,442 | 6,773 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from borrowings | | 281,344 | 35,000 | - | - |
| Repayment of borrowings | | (321,245) | (7,998) | - | - |
| Dividends paid | | (12,482) | (14,978) | (12,482) | (14,978) |
| Decrease in intercompany receivables | | - | - | 9,328 | 21,225 |
| NET CASH (USED)/PROVIDED BY FINANCING ACTIVITIES | | (52,383) | 12,024 | (3,154) | 6,247 |
| Net (decrease)/increase in cash held | | (18,047) | 20,483 | (8,373) | 7,577 |
| Cash at the beginning of the year | | 28,466 | 7,983 | 8,227 | 650 |
| CASH AT THE END OF THE YEAR | 40(i) | 10,419 | 28,466 | (146) | 8,227 |

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 34 to 80.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

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.

(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.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

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”).

Sales 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 the 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(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 payable or receivable 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
- relating to acquisition of qualifying assets (see Note 1(g)).

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, unless a revaluation reserve balance exists for non-current assets carried at fair value.

The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of is transferred to retained profits 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 exchange rate 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in deferred expenditure 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 profit 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.

Capital gains tax

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

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

(i) 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 declared by the controlled entities.

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 profit or loss 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 partnerships' results less drawings. The consolidated entity's share of the partnerships' result is included in the consolidated operating result for the year.

Other companies and unit trusts

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(j) 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).

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:

| | 2002 | 2001 |
|----------------------------|---------------|---------------|
| Freehold buildings | 1.25% to 2.5% | 1.25% to 2.5% |
| Leasehold buildings | 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 period 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.

(k) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(l) Deferred expenditure

Material items of expenditure are deferred to the extent that they are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account, can be measured reliably, and will contribute to the future earning capacity of the consolidated entity.

Deferred expenditure is amortised over the period in which the related benefits are expected to be realised. Deferred expenditure is generally amortised over a period of three to five years. Expenditure deferred in previous periods is reviewed annually. Any amounts no longer considered recoverable out of future revenue are written off.

(m) Research and development expenditure

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 the 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 15 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.

(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 net profit or loss 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) 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.

(t) Bank loans

Bank overdrafts 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".

(u) Provisions

Employee entitlements

Provision is made for employee entitlements including the retirement of non-executive Directors, annual leave and termination payments not provided under employee retirement funds. 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 have been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

The liability for employees' entitlements 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 entitlements 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 entitlements, 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.

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.

Warranties

Provision is made for the consolidated entity's estimated liability on all products still under warranty and includes claims already received. The estimate is based on the consolidated entity's warranty costs experience during the current and previous years.

(v) Superannuation plans

The Company and other controlled entities contribute to several defined benefit and defined contribution superannuation plans. Contributions are charged against income as they are made. Further information is set out in Notes 28 and 38.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(w) 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 plan which are expensed as incurred, the plan does not result in any expense to the consolidated entity.

(x) Share options

The Company has granted options to certain employees under a Management Share Option Plan. Further information is set out in Note 28. Other than the costs incurred in administering the plan which are expensed as incurred, the plan does not result in any expense to the consolidated entity.

No value is attributed to options at the time of issue to employees as they do not represent remuneration for past services. Shares issued to employees upon the exercise of options are recognised in equity at the fair value of the consideration received.

(y) 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.

NOTE 2 – CHANGE IN ACCOUNTING POLICY OR APPLICATION OF POLICY**(a) Earnings per share**

The consolidated entity has applied the revised AASB 1027 Earnings Per Share (issued June 2001) for the first time from 1 July 2001.

Basic and diluted earnings per share ("EPS") for the comparative period ended 30 June 2001 have been adjusted so that the basis of calculation used is consistent with that of the current period.

Basic earnings per share

Basic EPS earnings are now calculated as net profit or loss, rather than excluding extraordinary items.

Diluted earnings per share

The diluted EPS weighted average number of shares now includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

The identification of dilutive potential ordinary shares is now based on net profit or loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of potential ordinary shares.

(b) Segment reporting

The consolidated entity has applied the revised AASB 1005 Segment Reporting (issued in August 2000) for the first time from 1 July 2001.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns.

Comparative information has been restated for the changes in definitions of segment revenues and results.

(c) Equity accounting

The decision has been made to cease equity accounting for the consolidated entity's investment in Village Roadshow Corporation Limited, which can be no longer referred to as an associate. Equity accounting ceased effective from 13 June 2002. The profit recognised for the financial period to that date was \$3.7 million. Equity profit for the period from 13 June 2002 to 30 June 2002, which would have been recognised had this change in classification not occurred, would have been \$0.2 million.

The consolidated entity's investment has been reclassified from investments accounted for using the equity method to investments in other companies. The balance of the investment at year end is \$66,853,000 (2001: \$68,958,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Note | Consolidated | | The Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 3 – REVENUE FROM ORDINARY ACTIVITIES | | | | | |
| Revenue from operating activities | | | | | |
| Sale of goods | | 101,177 | 103,358 | - | - |
| Rendering of services | | 215,989 | 208,808 | - | - |
| | | 317,166 | 312,166 | - | - |
| Other revenue | | | | | |
| Dividends received or due and received from: | | | | | |
| Controlled entities | | - | - | 7 | 7 |
| Other persons | | 1,101 | 5,534 | 631 | 5,064 |
| | | 1,101 | 5,534 | 638 | 5,071 |
| Interest received or due and receivable from: | | | | | |
| Associates | | 110 | 72 | - | - |
| Controlled entities | 38 | - | - | 23,822 | 23,066 |
| Other persons | | 575 | 913 | 208 | 556 |
| | | 685 | 985 | 24,030 | 23,622 |
| Directors' fees received from associates | 38 | 30 | 30 | - | - |
| Management and consulting fees received from: | | | | | |
| Associates | 38 | 500 | 500 | - | - |
| Controlled entities | 38 | - | - | 6,198 | 6,691 |
| Partnerships | 35 | 4,889 | 3,712 | - | - |
| Other persons | | 5,093 | 5,718 | - | - |
| | | 10,482 | 9,930 | 6,198 | 6,691 |
| Rental income received from: | | | | | |
| Associates | 38 | 27 | 26 | - | - |
| Partnerships | | 30 | 18 | - | - |
| Other persons | | 4,155 | 2,939 | - | - |
| | | 4,212 | 2,983 | - | - |
| Other | | 1,916 | 1,514 | 17 | - |
| Revenue from outside operating activities | | | | | |
| Amounts received or receivable from sale of non-current assets | 4(a) | 16,319 | 12,366 | 2,424 | 6,357 |
| Total other revenue | | 34,745 | 33,342 | 33,307 | 41,741 |
| | | 351,911 | 345,508 | 33,307 | 41,741 |
| Revenue including share of sales revenue for partnerships and unit trusts | | | | | |
| Revenue as listed above | | 351,911 | 345,508 | 33,307 | 41,741 |
| Partnerships ¹ | 35 | 127,489 | 110,927 | - | - |
| Unit trusts ¹ | 35 | 16,172 | 16,898 | - | - |
| | | 495,572 | 473,333 | 33,307 | 41,741 |

¹ 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 | Consolidated | | The Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 4 – PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | | | | |
| (a) Expenses and losses/(gains) | | | | | |
| Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items: | | | | | |
| Cost of goods sold | | 35,824 | 43,083 | - | - |
| Borrowing costs: | | | | | |
| Associates | | 4 | 9 | - | - |
| Controlled entities | 38 | - | - | 18,991 | 17,022 |
| Other persons | | 19,322 | 18,461 | 4 | 7 |
| Finance charges on capitalised leases | | 141 | 6 | - | - |
| | | 19,467 | 18,476 | 18,995 | 17,029 |
| Net bad and doubtful debts expense including movement in the provision for doubtful debts | | 182 | 196 | - | - |
| Amortisation of: | | | | | |
| Construction rights | | 182 | 186 | - | - |
| Deferred expenditure | | 557 | 365 | - | - |
| Intangibles | | 1,600 | 1,541 | - | - |
| Leased plant and equipment | | 242 | 17 | - | - |
| Leasehold buildings | | 2,183 | 2,281 | - | - |
| | | 4,764 | 4,390 | - | - |
| Depreciation | | 18,747 | 17,993 | 104 | 106 |
| Total depreciation and amortisation | | 23,511 | 22,383 | 104 | 106 |
| Net expense from movements in provision for: | | | | | |
| Employee entitlements | | 4,581 | 4,737 | 321 | 279 |
| Insurance loss contingencies | | 22 | 281 | - | - |
| | | 4,603 | 5,018 | 321 | 279 |
| Net foreign exchange losses/(gains) | | 45 | (182) | - | - |
| Operating lease rental expense | | 17,953 | 16,096 | 34 | 48 |
| Net gain on sale of investments | | (1,867) | (1,498) | (1,867) | (1,497) |
| Net (gain)/loss on sale of property, plant and equipment | | (2,910) | (1,916) | 106 | 1 |
| (b) Unusual items | | | | | |
| Profit 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: | | | | | |
| Provision for diminution in carrying values of loans to controlled entities | | - | - | - | 3,464 |
| Provision for diminution in carrying value of interests in partnerships | 35 | 2,137 | - | - | - |
| Provision for diminution in carrying value of loan to an associate | | - | 3,337 | - | - |
| Recoveries of loan to an associate for which a provision for diminution had been raised in previous years | | (608) | - | - | - |
| Net gain on sale of property | | (3,355) | (2,424) | - | - |
| Special in-specie dividend received from other company | 38 | - | (4,284) | - | (4,284) |
| Redundancy and restructuring costs | | - | 2,959 | - | - |
| | | (1,826) | (412) | - | (820) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Consolidated | | The Company | |
|--|--------------|------------|-------------|------------|
| | 2002 \$ | 2001 \$ | 2002 \$ | 2001 \$ |
| NOTE 5 – AUDITORS’ REMUNERATION | | | | |
| Audit services: | | | | |
| Auditors of the Company - KPMG (Australian firm) | 716,195 | 674,242 | 193,839 | 184,500 |
| Other international KPMG related practices | 75,112 | 58,083 | - | - |
| | 791,307 | 732,325 | 193,839 | 184,500 |
| Other services: | | | | |
| Auditors of the Company - KPMG (Australian firm) | | | | |
| Taxation services | 194,485 | 131,893 | 83,154 | 24,335 |
| GST implementation costs | - | 11,180 | - | - |
| AHL employee share plan | 12,996 | 15,000 | 12,996 | 15,000 |
| International corporate advice | 16,013 | 12,570 | 16,013 | - |
| Borrowing covenant compliance assurance | 8,840 | - | 8,840 | - |
| Other | 14,907 | 28,748 | 4,529 | 7,450 |
| | 247,241 | 199,391 | 125,532 | 46,785 |
| Other international KPMG related practices | | | | |
| Taxation services | 72,543 | 28,314 | - | - |
| International structure and corporate advice | 108,232 | - | 34,112 | - |
| Other | 30,581 | 10,121 | - | - |
| | 211,356 | 38,435 | 34,112 | - |
| | 458,597 | 237,826 | 159,644 | 46,785 |

| | Note | Consolidated | | The Company | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 6 – TAXATION | | | | | |
| (a) Income tax expense | | | | | |
| Prima facie income tax expense calculated at 30% (2001: 34%) | | | | | |
| on the profit from ordinary activities | | 11,833 | 11,570 | 2,621 | 3,832 |
| Increase in income tax expense due to: | | | | | |
| Depreciation/amortisation of buildings | | 832 | 1,185 | - | - |
| Amortisation of intangibles | | 480 | 524 | - | - |
| Depreciation of plant and equipment | | 179 | 203 | - | - |
| Provision for diminution in carrying value of loans to controlled entities | | - | - | - | 1,178 |
| Provision for diminution in carrying value of loan to an associate | | - | 1,134 | - | - |
| Provision for diminution in carrying value of interests in partnerships | | 641 | - | - | - |
| Tax benefit on losses not brought to account | | 356 | 52 | - | - |
| Share of associates' net loss | | - | 225 | - | - |
| Tax losses of non-resident controlled entity not carried forward as future income tax benefit | | 179 | 1,376 | - | - |
| Net higher overseas tax rate | | 44 | - | - | - |
| Other | | - | - | 243 | 189 |
| | | 2,711 | 4,699 | 243 | 1,367 |
| Decrease in income tax expense due to: | | | | | |
| Rebatable dividend income | | 373 | 1,893 | 189 | 1,720 |
| Share of associates' net profit | | 1,282 | - | - | - |
| Timing differences not previously brought to account | | - | 1,469 | - | - |
| Investment and capital allowances | | - | 34 | - | - |
| Non-assessable capital profits | | 1,597 | 1,332 | 559 | 509 |
| Tax depreciation on building devaluation decrement | | 264 | 299 | - | - |
| Tax benefit on losses not previously brought to account | | 282 | 520 | - | - |
| Write-off of interest on loans to controlled entities | | 320 | - | - | - |
| Reversal of loans previously written off | | 392 | - | - | - |
| Net lower overseas tax rate | | - | 70 | - | - |
| Sundry items | | 183 | 215 | 17 | 172 |
| | | 4,693 | 5,832 | 765 | 2,401 |
| Income tax (over)/under provided in prior year | | (217) | 219 | 214 | (7) |
| Income tax attributable to operating profit before unusual income tax items | | 9,634 | 10,656 | 2,313 | 2,791 |
| Unusual income tax items: | | | | | |
| Restatement of deferred tax balances due to change in income tax rate | | - | (30) | - | 42 |
| Income tax expense attributable to operating profit | | 9,634 | 10,626 | 2,313 | 2,833 |
| Income tax expense attributable to operating profit is made up of: | | | | | |
| Current income tax provision | | 10,400 | 11,076 | 2,151 | 2,724 |
| Deferred income tax provision | | (340) | (1,516) | (29) | 21 |
| Future income tax benefit | | (544) | 847 | (23) | 95 |
| Tax effect on hedged investment in self-sustaining foreign operations eliminated against the foreign currency translation reserve | | 335 | - | - | - |
| (Over)/under provision in prior year | | (217) | 219 | 214 | (7) |
| | | 9,634 | 10,626 | 2,313 | 2,833 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 6 – TAXATION (continued) | | | | |
| (b) Current tax liabilities | | | | |
| <i>Provision for current income tax</i> | | | | |
| Movements during the year: | | | | |
| Balance at the beginning of year | 5,514 | 7,790 | 2,592 | 2,044 |
| Income tax paid | (16,069) | (13,719) | (2,566) | (2,169) |
| Current year's income tax expense on operating profit | 10,400 | 11,076 | 2,151 | 2,724 |
| Income tax attributable to extraordinary items | (606) | (263) | - | - |
| Tax refunds received | 2,986 | 119 | - | - |
| Tax losses transferred | - | - | (1,068) | - |
| (Over)/under provision in prior year | (183) | 511 | (203) | (7) |
| | 2,042 | 5,514 | 906 | 2,592 |
| (c) Deferred tax liabilities | | | | |
| <i>Provision for deferred income tax</i> | | | | |
| Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2001: 30%) on the following items: | | | | |
| Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes | 9,155 | 8,951 | 16 | 33 |
| Interest and holding charges capitalised | 1,768 | 1,999 | - | - |
| Expenditure currently deductible for tax but deferred and amortised for accounting purposes | 860 | 1,094 | - | - |
| Prepayments | 245 | 456 | 3 | 15 |
| Share of partnerships' timing differences | 1,539 | 1,424 | - | - |
| Sundry items | 441 | 424 | - | - |
| | 14,008 | 14,348 | 19 | 48 |
| (d) Deferred tax assets | | | | |
| <i>Future income tax benefit</i> | | | | |
| Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2001: 30%) on the following items: | | | | |
| Provision and accrued employee entitlements not currently deductible | 3,611 | 3,250 | 321 | 302 |
| Unrealised foreign exchange losses not currently deductible | 827 | 144 | - | - |
| Deferred revenue | 168 | 323 | - | - |
| Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes | 1,631 | 1,502 | - | - |
| Share of partnerships' timing differences | 1,545 | 1,233 | - | - |
| Tax losses carried forward | 1,894 | 2,732 | - | - |
| Sundry items | 372 | 223 | 67 | 63 |
| Reversal of future income tax benefit due to uncertainty of recovery | - | (1) | - | - |
| | 10,048 | 9,406 | 388 | 365 |
| <i>Future income tax benefits not taken to account</i> | | | | |
| The potential future income tax benefits in controlled entities, which are companies, arising from tax losses and timing differences have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt: | | | | |
| Tax losses carried forward | 8,189 | 7,878 | - | - |
| Timing differences | - | 1 | - | - |
| | 8,189 | 7,879 | - | - |

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, or the benefit can be utilised by other companies in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997 or the requirements of the appropriate jurisdiction;
- (ii) the relevant companies and/or the consolidated entity continues 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.

NOTE 7 – EXTRAORDINARY ITEM

| | Consolidated | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Costs associated with Thredbo road collapse | (2,020) | (775) | - | - |
| Income tax effect | 606 | 263 | - | - |
| | (1,414) | (512) | - | - |

On 15 April 2002, a common law case commenced in the Supreme Court of New South Wales in which a controlled entity is seeking damages (including recovery of costs incurred) from the State of New South Wales (NSW National Parks & Wildlife Service) and others, in relation to the 1997 collapse of the Alpine Way. These proceedings remain in progress at the date of this report.

NOTE 8 – DIVIDENDS

| Type | Cents per share | Total amount \$'000 | Date of payment | Tax rate for franking credit | Percentage franked |
|---|--------------------|------------------------|--------------------|---------------------------------|-----------------------|
| Dividends on ordinary shares paid or proposed by the Company are: | | | | | |
| 2002 | | | | | |
| Interim | 5 | 6,241 | 12 April 2002 | 30% | 100% |
| Final | 6 | 7,489 | 3 October 2002 | 30% | 100% |
| | | <u>13,730</u> | | | |
| 2001 | | | | | |
| Interim | 5 | 6,241 | 6 April 2001 | 34% | 100% |
| Final | 5 | 6,241 | 19 October 2001 | 30% | 100% |
| | | <u>12,482</u> | | | |

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| 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% (2001: 30%) franking credits | 162,173 | 149,876 | 18,360 | 27,398 |

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
- (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.

From 1 July 2002, the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after tax profits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 8 – DIVIDENDS (continued)

As a result, the “franking credits available” were converted as at 1 July 2002 from \$162,173,000 to \$69,503,000 for the consolidated entity and from \$18,360,000 to \$7,868,000 for the Company.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

NOTE 9 – EARNINGS PER SHARE – CALCULATION BASIS

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 | | | |
|---|--------------------|--------------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | | |
| Earnings reconciliation | | | | |
| Net profit | 28,398 | 22,891 | | |
| Net profit attributable to outside equity interests | - | - | | |
| Restatement of prior year earnings for effect of change in accounting policy adjusted directly against retained profits | - | - | | |
| Basic and diluted earnings | 28,398 | 22,891 | | |
| | | | Number | Number |
| Weighted average number of ordinary shares used as the denominator | | | | |
| Number for basic earnings per share | 124,814,442 | 124,814,442 | | |
| Effect of management share options on issue | 194,732 | - | | |
| Number for diluted earnings per share | 125,009,174 | 124,814,442 | | |
| | | | Consolidated | The Company |
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 10 – CASH ASSETS | | | | |
| Cash on hand and on deposit | 10,322 | 28,367 | 89 | 8,227 |

| | Note | Consolidated | | The Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 11 – RECEIVABLES | | | | | |
| Current | | | | | |
| Trade debtors | | 22,200 | 21,143 | - | - |
| Less: Provision for doubtful trade debtors | | (844) | (789) | - | - |
| | | 21,356 | 20,354 | - | - |
| Short-term deposits | | 97 | 99 | - | - |
| Other debtors | | 7,468 | 6,200 | 65 | 106 |
| Loan to unit trust | | 18,583 | 18,031 | - | - |
| Loans to other companies | | 1,939 | 3,050 | - | - |
| Loans to associates | | 14,227 | 14,248 | - | - |
| Loans to partnerships | | 1,320 | 1,286 | - | - |
| | | 64,990 | 63,268 | 65 | 106 |
| Non-current | | | | | |
| Loans to other companies | | 275 | 1,659 | - | - |
| Loans to associates | | 5,110 | 6,029 | - | - |
| Loans provided under AHL employee share plan | 28 | 1,843 | 1,800 | 1,843 | 1,800 |
| Loans to controlled entities | 38 | - | - | 325,261 | 356,252 |
| | | 7,228 | 9,488 | 327,104 | 358,052 |
| NOTE 12 – INVENTORIES | | | | | |
| At cost: | | | | | |
| Raw materials and stores | | 6,168 | 5,692 | - | - |
| Work in progress | | 1,713 | 1,904 | - | - |
| Finished goods | | 5,837 | 6,089 | - | - |
| | | 13,718 | 13,685 | - | - |
| NOTE 13 – OTHER FINANCIAL ASSETS | | | | | |
| Investments in controlled entities (unquoted) | | | | | |
| At cost | 33 | - | - | 38,651 | 38,651 |
| Investments in other companies | | | | | |
| At cost: | | | | | |
| Unquoted | 2(c) | 68,604 | 1,613 | - | - |
| Quoted ⁽¹⁾ | | 12,759 | 13,317 | 4,504 | 5,063 |
| | | 81,363 | 14,930 | 4,504 | 5,063 |
| Investments in other entities | | | | | |
| Unit trust – at cost | 35 | 7,920 | 7,920 | - | - |
| | | 89,283 | 22,850 | 43,155 | 43,714 |
| Quoted market value at 30 June 2002 | | | | | |
| ⁽¹⁾ Shares in other companies | | 28,825 | 30,067 | 20,972 | 19,531 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Note | Consolidated | | The Company | |
|--|------|----------------|----------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 14 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD | | | | | |
| Associates | 34 | 124,686 | 189,618 | - | - |
| Partnerships | 35 | 73,662 | 83,888 | - | - |
| | | 198,348 | 273,506 | - | - |
| NOTE 15 – OTHER CURRENT ASSETS | | | | | |
| Prepayments | | 2,240 | 3,067 | 27 | 49 |
| Deferred expenditure – net | 18 | 1,280 | 713 | - | - |
| Construction rights – net | 18 | 228 | 216 | - | - |
| | | 3,748 | 3,996 | 27 | 49 |
| NOTE 16 – PROPERTY, PLANT AND EQUIPMENT | | | | | |
| Freehold land and buildings | | | | | |
| At cost | | 251,040 | 256,965 | - | - |
| Less: Accumulated depreciation | | (37,946) | (38,116) | - | - |
| | | 213,094 | 218,849 | - | - |
| Leasehold land | | | | | |
| At cost | | 56 | 56 | - | - |
| Leasehold buildings | | | | | |
| At cost | | 56,992 | 55,417 | - | - |
| Less: Accumulated amortisation | | (23,166) | (21,206) | - | - |
| | | 33,826 | 34,211 | - | - |
| Capital works in progress | | | | | |
| At cost | | 11,853 | 2,587 | - | - |
| Plant and equipment | | | | | |
| At cost | | 204,564 | 196,810 | 705 | 1,201 |
| Less: Accumulated depreciation | | (124,659) | (113,196) | (515) | (837) |
| | | 79,905 | 83,614 | 190 | 364 |
| Leased plant and equipment | | | | | |
| At capitalised cost | | 1,984 | 73 | - | - |
| Less: Accumulated amortisation | | (266) | (22) | - | - |
| | | 1,718 | 51 | - | - |
| Total property, plant and equipment at net book value | | 340,452 | 339,368 | 190 | 364 |

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:

| | Consolidated | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Freehold land and buildings | | | | |
| Carrying amount at the beginning of the year | 218,849 | 205,776 | - | - |
| Additions | 1,543 | 15,152 | - | - |
| Transfer from capital works in progress | 4,718 | 3,116 | - | - |
| Net foreign currency differences on translation of self-sustaining operations | 1,519 | 304 | - | - |
| Disposals | (9,594) | (1,660) | - | - |
| Depreciation | (3,941) | (3,839) | - | - |
| Carrying amount at the end of the year | 213,094 | 218,849 | - | - |
| Leasehold land | | | | |
| Carrying amount at the beginning of the year | 56 | 56 | - | - |
| Carrying amount at the end of the year | 56 | 56 | - | - |
| Leasehold buildings | | | | |
| Carrying amount at the beginning of the year | 34,211 | 33,843 | - | - |
| Additions | 2,431 | 2,580 | - | - |
| Transfer from capital works in progress | 327 | 249 | - | - |
| Transfer to plant and equipment | (1,089) | - | - | - |
| Net foreign currency differences on translation of self-sustaining operations | 131 | 24 | - | - |
| Disposals | (2) | (204) | - | - |
| Amortisation | (2,183) | (2,281) | - | - |
| Carrying amount at the end of the year | 33,826 | 34,211 | - | - |
| Capital works in progress | | | | |
| Carrying amount at the beginning of the year | 2,587 | 3,725 | - | 21 |
| Additions | 17,369 | 7,060 | - | - |
| Net foreign currency differences on translation of self-sustaining operations | 44 | 9 | - | - |
| Transfer from capital works in progress | (8,147) | (8,207) | - | (21) |
| Carrying amount at the end of the year | 11,853 | 2,587 | - | - |
| Plant and equipment | | | | |
| Carrying amount at the beginning of the year | 83,614 | 88,180 | 364 | 749 |
| Additions | 7,633 | 6,818 | 36 | 61 |
| Transfer from capital works in progress | 3,102 | 4,842 | - | (318) |
| Net foreign currency differences on translation of self-sustaining operations | 172 | 40 | - | - |
| Transfer from leasehold buildings | 1,089 | - | - | - |
| Disposals | (899) | (2,112) | (106) | (22) |
| Depreciation | (14,806) | (14,154) | (104) | (106) |
| Carrying amount at the end of the year | 79,905 | 83,614 | 190 | 364 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations (continued)

| | Consolidated | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Leased plant and equipment | | | | |
| Carrying amount at the beginning of the year | 51 | 70 | - | - |
| Additions | 1,905 | - | - | - |
| Net foreign currency differences on translation of self-sustaining operations | 4 | 1 | - | - |
| Disposals | - | (3) | - | - |
| Amortisation | (242) | (17) | - | - |
| Carrying amount at the end of the year | 1,718 | 51 | - | - |

Directors' 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, carried out by Herron Todd White at 31 March 2000 and 30 June 2001. 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.

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Due to the diversity of the consolidated entity's operations, valuations have been prepared on a highest and best alternate use, going concern or existing use basis. A summary is set out as follows: | | | | |
| Highest and best alternate use: | | | | |
| Directors' valuation – 2001 | 3,600 | 3,600 | - | - |
| Independent valuation – 2001 | 22,725 | 27,000 | - | - |
| Going concern: | | | | |
| Independent valuation – 2001 | 151,950 | 158,904 | - | - |
| – 2000 | 185,572 | 185,572 | - | - |
| Existing use: | | | | |
| Directors' valuation – 2001 | 32,168 | 34,768 | - | - |
| Independent valuation – 2001 | 32,650 | 32,650 | - | - |
| Total current values | 428,665 | 442,494 | - | - |

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.

| | Consolidated | | The Company | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 17 – INTANGIBLES | | | | |
| Goodwill | 22,766 | 20,170 | - | - |
| Less: Accumulated amortisation | (11,407) | (8,815) | - | - |
| | 11,359 | 11,355 | - | - |
| Liquor licence | 82 | 82 | - | - |
| | 11,441 | 11,437 | - | - |

| | Note | Consolidated | | The Company | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 18 – OTHER NON-CURRENT ASSETS | | | | | |
| Deferred expenditure – net | | 1,621 | 343 | - | - |
| Construction rights – net | | 1,835 | 2,029 | - | - |
| Wildlife | | 639 | 639 | - | - |
| | | 4,095 | 3,011 | - | - |
| Deferred expenditure | | | | | |
| Pre-opening costs | | 1,937 | 987 | - | - |
| Capitalised borrowing costs | | 2,403 | 105 | - | - |
| Other | | 825 | 968 | - | - |
| | | 5,165 | 2,060 | - | - |
| Less: Accumulated amortisation | | (2,264) | (1,004) | - | - |
| | | 2,901 | 1,056 | - | - |
| Split between: | | | | | |
| Current | 15 | 1,280 | 713 | - | - |
| Non-current | | 1,621 | 343 | - | - |
| | | 2,901 | 1,056 | - | - |
| Construction rights | | | | | |
| At cost | | 5,531 | 5,531 | - | - |
| Less: Accumulated amortisation | | (3,468) | (3,286) | - | - |
| | | 2,063 | 2,245 | - | - |
| Split between: | | | | | |
| Current | 15 | 228 | 216 | - | - |
| Non-current | | 1,835 | 2,029 | - | - |
| | | 2,063 | 2,245 | - | - |
| NOTE 19 – PAYABLES | | | | | |
| Trade creditors | | 13,417 | 14,819 | 17 | 137 |
| Other creditors and accruals | | 24,991 | 23,384 | 1,184 | 1,073 |
| | | 38,408 | 38,203 | 1,201 | 1,210 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Note | Consolidated | | The Company | | |
|---|-------------|---------------|---------------|---------------|---------------|---------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | |
| NOTE 20 – INTEREST BEARING LIABILITIES | | | | | | |
| Current | | | | | | |
| Bank overdraft | – unsecured | 21 | – | – | 235 | – |
| Bank bills payable | – secured | 21 | 21,804 | – | – | – |
| Bank bills payable | – unsecured | 21 | – | 24,968 | – | – |
| Other loans | – unsecured | 21 | – | 314 | – | – |
| Loans from associates | – unsecured | | 30 | 9 | – | – |
| Lease liabilities | – secured | 30 | 281 | 16 | – | – |
| | | | 22,115 | 25,307 | 235 | – |
| Non-current | | | | | | |
| Bank loans | – unsecured | 21 | – | 74,914 | – | – |
| Bank bills payable | – secured | 21 | 230,858 | – | – | – |
| Bank bills payable | – unsecured | 21 | – | 187,477 | – | – |
| Loans from associates | – unsecured | | 617 | 404 | 95 | 91 |
| Loans from controlled entities | – unsecured | 38 | – | – | 143,013 | 175,392 |
| Loans from other companies | – unsecured | | 2,454 | 1,338 | – | – |
| Lease liabilities | – secured | 30 | 1,455 | 44 | – | – |
| | | | 235,384 | 264,177 | 143,108 | 175,483 |
| NOTE 21 – FINANCING ARRANGEMENTS | | | | | | |
| Syndicated loan, bilateral and working capital facilities | | | | | | |
| These facilities provide access to the following lines of credit: | | | | | | |
| Bank overdrafts | | | 5,500 | 500 | – | – |
| Bank loans | | | – | 74,914 | – | – |
| Bank bills payable | | | 261,232 | 212,445 | – | – |
| | | | 266,732 | 287,859 | – | – |
| Facilities utilised at balance date: | | | | | | |
| Bank overdrafts | | | – | – | – | – |
| Bank loans | | | – | 74,914 | – | – |
| Bank bills payable | | | 252,662 | 212,445 | – | – |
| | | | 252,662 | 287,359 | – | – |
| Facilities not utilised at balance date: | | | | | | |
| Bank overdrafts | | | 5,500 | 500 | – | – |
| Bank loans | | | – | – | – | – |
| Bank bills payable | | | 8,570 | – | – | – |
| | | | 14,070 | 500 | – | – |

The consolidated entity executed new facilities on 26 July 2001 comprising an amortising A\$255 million multi-currency revolving loan note issuance facility and an amortising NZ\$30 million revolving loan note issuance facility, which mature on 9 July 2004. The required reduction in commitment at 30 June 2002 has been made. The required reduction in commitment to 30 June 2003 has been shown as a current liability in accordance with AASB 1040 Statement of Financial Position. The consolidated entity also renegotiated working capital facilities including bank overdrafts (repayable on demand), cash advance and bank guarantee facilities in amounts totalling \$19 million (subject to annual review). 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.

| | Note | Consolidated | | The Company | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 21 – FINANCING ARRANGEMENTS (continued) | | | | | |
| Other financing arrangements | | | | | |
| Other loans – unsecured | | | | | |
| Facilities available and utilised at balance date: | | | | | |
| Austrade loan (originally \$1.9 million) subject to half-yearly repayments and terminated on 11 August 2001 | | | | | |
| | | - | 314 | - | - |
| NOTE 22 – PROVISIONS | | | | | |
| Current | | | | | |
| Dividends | 8 | 7,489 | 6,241 | 7,489 | 6,241 |
| Employee entitlements | | 7,350 | 6,908 | 313 | 348 |
| Other | | 272 | 555 | - | - |
| | | 15,111 | 13,704 | 7,802 | 6,589 |
| Non-current | | | | | |
| Employee entitlements | | 2,243 | 2,063 | 755 | 658 |
| Support of related entity | | 561 | 561 | - | - |
| | | 2,804 | 2,624 | 755 | 658 |
| NOTE 23 – OTHER LIABILITIES | | | | | |
| Current | | | | | |
| Deferred revenue | | 9,543 | 11,086 | - | - |
| Non-current | | | | | |
| Deferred revenue | | 739 | 524 | - | - |
| NOTE 24 – CONTRIBUTED EQUITY | | | | | |
| Issued and paid-up capital | | | | | |
| 124,814,442 (2001: 124,814,442) ordinary shares, fully paid | | 89,311 | 89,311 | 89,311 | 89,311 |
| Movements in ordinary share capital | | | | | |
| Balance at the beginning of the year | | 89,311 | 89,311 | 89,311 | 89,311 |
| 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 25 – RESERVES | | | | |
| Asset revaluation | 11,767 | 13,181 | 13,497 | 13,497 |
| Asset realisation | 87,998 | 87,627 | 22,288 | 22,288 |
| General | 26,804 | 27,841 | 474 | 474 |
| Foreign currency translation | 1,894 | 4,896 | - | - |
| | 128,463 | 133,545 | 36,259 | 36,259 |
| Asset revaluation | | | | |
| Balance at the beginning of the year | 13,181 | 13,400 | 13,497 | 13,497 |
| Transfer (to)/from asset realisation reserve | (373) | 373 | - | - |
| Transferred to retained profits upon liquidation of a group company | (1,038) | - | - | - |
| Share of associates' decrement in asset revaluation reserve | (3) | (592) | - | - |
| Balance at the end of the year | 11,767 | 13,181 | 13,497 | 13,497 |
| Asset realisation | | | | |
| Balance at the beginning of the year | 87,627 | 87,709 | 22,288 | 22,288 |
| Transfer from/(to) asset revaluation reserve | 373 | (373) | - | - |
| Share of associates' (decrement)/increment in asset realisation reserve | (2) | 291 | - | - |
| Balance at the end of the year | 87,998 | 87,627 | 22,288 | 22,288 |
| General | | | | |
| Balance at the beginning of the year | 27,841 | 28,787 | 474 | 474 |
| Share of associates' decrement in general reserve | (1,037) | (946) | - | - |
| Balance at the end of the year | 26,804 | 27,841 | 474 | 474 |
| Foreign currency translation | | | | |
| Balance at the beginning of the year | 4,896 | (610) | - | - |
| Translation adjustment on controlled foreign entities' financial statements | 2,214 | 1,153 | - | - |
| Share of associates' (decrement)/increment in foreign currency translation reserve | (5,216) | 4,353 | - | - |
| Balance at the end of the year | 1,894 | 4,896 | - | - |

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 Accounting Standard 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 profits 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).

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 26 – RETAINED PROFITS | | | | |
| Retained profits at the beginning of the year | 180,039 | 169,630 | 98,727 | 102,771 |
| Net profit attributable to members of the parent entity | 28,398 | 22,891 | 6,425 | 8,438 |
| Transferred from asset revaluation reserve upon liquidation of a group company | 1,038 | – | – | – |
| Dividends | (13,730) | (12,482) | (13,730) | (12,482) |
| Retained profits at the end of the year | 195,745 | 180,039 | 91,422 | 98,727 |

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. 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 2002 extending to June 2006 in A\$ and June 2004 in Euro and NZ\$. At 30 June 2002 the consolidated entity had 72% (2001: 79%) of debt hedged at an average effective rate of 5.37% (2001: 5.45%). The forecast position for the year ending 30 June 2003 is 71% and for the year ending 30 June 2004 is 46%.

| | A\$ A\$000 | Euro A\$000 | NZ\$ A\$000 | Total A\$000 |
|-------------------------------|---------------|----------------|----------------|-----------------|
| Financial arrangements | | | | |
| 30 June 2002 | | | | |
| Total debt | 145,984 | 90,104 | 16,574 | 252,662 |
| % Hedged | 68% | 78% | 79% | 72% |
| Average rate (pa) | 6.07% | 4.27% | 5.93% | 5.37% |
| 30 June 2001 | | | | |
| Total debt | 179,394 | 95,834 | 12,445 | 287,673 |
| % Hedged | 84% | 70% | 84% | 79% |
| Average rate (pa) | 5.99% | 4.23% | 6.80% | 5.45% |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 27 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

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

| Note | 2002 | | | | 2001 | | | | Total \$000 |
|---|---|------------------------------------|---------------------------------------|--------------------------------------|---|------------------------------------|---------------------------------------|--------------------------------------|----------------|
| | Weighted average interest rate % | Fixed interest rate \$000 | Floating interest rate \$000 | Non- interest bearing \$000 | Weighted average interest rate % | Fixed interest rate \$000 | Floating interest rate \$000 | Non- interest bearing \$000 | |
| Financial assets | | | | | | | | | |
| Cash assets | 10 | - | 10,322 | - | 4.51 | - | 28,367 | - | 28,367 |
| Trade debtors | 11 | - | - | 22,200 | - | - | - | 21,143 | 21,143 |
| Other debtors | 11 | - | - | 9,779 | - | - | - | 11,008 | 11,008 |
| Loan to unit trust | 11 | - | - | 18,583 | - | - | - | 18,031 | 18,031 |
| Loans to associates | 11 | - | - | 19,337 | - | - | - | 20,277 | 20,277 |
| Loans to partnerships | 11 | - | - | 1,320 | - | - | - | 1,286 | 1,286 |
| Loans provided under AHL employee share plan | 11 | - | - | 1,843 | - | - | - | 1,800 | 1,800 |
| | | - | 10,322 | 73,062 | - | - | 28,367 | 73,545 | 101,912 |
| Financial liabilities | | | | | | | | | |
| Bank loans | 20 | - | - | - | 4.81 | - | 74,914 | - | 74,914 |
| Other loans | 20 | - | - | - | 4.34 | - | 314 | - | 314 |
| Bank bills payable | 20 | 7.02 | 252,662 | - | 6.54 | - | 212,445 | - | 212,445 |
| Payables | 19 | - | - | 38,408 | - | - | - | 38,203 | 38,203 |
| Other borrowings | 20 | - | 1,736 | 3,101 | - | 60 | - | 1,751 | 1,811 |
| Provision for dividends | 22 | - | - | 7,489 | - | - | - | 6,241 | 6,241 |
| Employee entitlements and other provisions | 22 | - | - | 9,865 | - | - | - | 9,526 | 9,526 |
| | | 1,736 | 252,662 | 58,863 | - | 60 | 287,673 | 55,721 | 343,454 |

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.

NOTE 27 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)**Foreign exchange risk (continued)**

| | 2002 Weighted average rate | 2001 | 2002 \$000 | 2001 \$000 |
|---|-------------------------------|------|---------------|---------------|
| Sell GBP | | | | |
| Not longer than one year | 0.40 | 0.38 | 2,167 | 20,156 |
| Sell USD | | | | |
| Not longer than one year | 0.51 | 0.52 | 20,581 | 2,302 |
| Later than one year but not later than two years | 0.53 | – | 7,960 | – |
| Later than two years but not later than three years | 0.53 | – | 1,327 | – |
| | | | 29,868 | 2,302 |

As these contracts are hedging anticipated receipts and purchases, 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/(loss) on hedges of anticipated foreign currency purchases and sales and the timing of their anticipated recognition as part of the sales or purchases are:

| | Consolidated Net gain/(loss) | |
|---|---------------------------------|---------------|
| | 2002 \$000 | 2001 \$000 |
| Not later than one year | 1,586 | (1,312) |
| Later than one year but not later than two years | 272 | – |
| Later than two years but not later than three years | 38 | – |
| | 1,896 | (1,312) |

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 customer.

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 2002 amounted to \$2,171,000 (2001: \$227,000).

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

Quoted shares included in “Investments” are traded in an organised financial market. The net fair value of quoted 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 accounts receivable, accounts payable, bank loans and provision for dividends approximate net fair value. The net fair value of investments in unquoted shares in other companies is determined using standard valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 27 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Net fair values of financial assets and liabilities (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:

| | 2002 \$000 | 2001 \$000 |
|----------------------------|---------------|---------------|
| Interest rate swaps | (445) | (251) |
| Interest rate options | (763) | (1,366) |
| Foreign exchange contracts | 1,896 | (1,312) |
| Cross currency swaps | 7 | (469) |
| | 695 | (3,398) |

In securing certainty over future cash flows by hedging certain transactions, the consolidated entity has incurred a net notional gain of \$695,000 (2001: notional cost \$3,398,000). This notional gain will be offset by an equivalent unfavourable movement on the underlying transactions.

| | Consolidated | | The Company | |
|--|--------------|-------|-------------|------|
| | 2002 | 2001 | 2002 | 2001 |
| NOTE 28 – EMPLOYEE ENTITLEMENTS | | | | |
| Number of employees | | | | |
| Number of employees at year end | 2,008 | 1,929 | 17 | 15 |

Management share option plan

During the year, 1,495,000 options with an exercise price of \$2.26 were issued on 5 February 2002.

Unissued ordinary shares of the Company under option are:

| Issue date | Expiry date | Exercise price | Number of options |
|------------------|-------------------|----------------|-------------------|
| 17 December 1997 | 17 December 2002 | \$5.75 | 166,000 |
| 30 October 2000 | 30 October 2005 | \$2.27 | 400,000 |
| 5 February 2002 | 30 September 2006 | \$2.26 | 1,445,000 |

130,000 options with an exercise price of \$6.00 expired on 18 December 2001.

1,104,000 options with an exercise price of \$6.75 expired on 23 August 2001.

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

Management share options issued on 5 February 2002

Management share options, issued on 5 February 2002, were issued to 92 employees. Options issued to each eligible employee ranged from 2,500 to 100,000 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), earning 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 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, however, 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 from 30 September 2004 until 30 September 2006. If a participant ceases to be employed by a company in the consolidated entity before 30 September 2004, 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.

Following year end, an additional 100,000 options were issued under this option plan, at an exercise price of \$2.59.

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

NOTE 28 – EMPLOYEE ENTITLEMENTS (continued)**Management share options issued prior to 5 February 2002**

Management share options issued on 30 October 2000 and 17 December 1997 were issued under option plan rules existing at that time. The ability to exercise these options is conditional on the consolidated entity achieving a performance hurdle relating to increased shareholder value of 10% per annum. Unless the Board otherwise determines, the options can be exercised from a date three years after the issue dates until the expiry date, provided the performance hurdle condition is met. If a participant ceases to be employed by a company in the consolidated entity, the options lapse, subject to the Board having the discretion to allow the options to be exercised in certain limited circumstances including death or total and permanent disability.

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

Valuation of options on issue

No options on issue are currently exercisable; however, if a value was to be placed on options on issue as at 30 June 2002, using a binomial option pricing model, the resulting value would be:

| Issue date | 2002 | | Total value 2002 \$000 |
|------------------|----------------------|-------------------|---------------------------|
| | Valuation per option | Number of options | |
| 17 December 1997 | – | 166,000 | – |
| 30 October 2000 | 13.5 cents | 400,000 | 54 |
| 5 February 2002 | 22.0 cents | 1,445,000 | 318 |
| | | | 372 |

Factors taken into account by the binomial option pricing model include the exercise price, the exercise conditions, the term of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

AHL employee share plan

At 30 June 2002, the total shares issued under the AHL employee share plan were 500,200. There were no shares issued under the plan during the year.

The market value of ordinary shares at 30 June 2002 was \$2.40.

Superannuation commitments

The Company and relevant controlled entities contribute on behalf of certain employees to the Amalgamated Holdings Superannuation Fund (the "Fund"). The Fund provides benefits predominantly on an accumulation basis that is based on contributions received from employees and the Company and relevant controlled entities plus the earnings of the Fund. Certain employees who were members of prior funds have been provided with guaranteed minimum defined benefits based on years of service and final average salary.

The Company and relevant controlled entities are obliged to contribute to the Fund at such rates as the actuary recommends from time to time. Employee contributions are based on various percentages of Fund salary. Based on advice from the Fund's actuary, contributions by the Company and relevant controlled entities are being partially funded from reserves of the Fund. On admission to the Fund, all employees are entitled to benefits on retirement, disability or death or on termination of employment.

An actuarial assessment of the Fund as at 1 July 2000 was carried out by Mr Michael F Murphy, FIA, 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 relevant employee of the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 28 – EMPLOYEE ENTITLEMENTS (continued)

Superannuation commitments (continued)

The Fund assets at net market value, total accrued benefits and total vested benefits of the Fund at 30 June 2001 (2001: 30 June 2000), being the date of the most recent financial report of the Fund, are as follows:

| 2002 \$000 | 2002 \$000 | 2002 \$000 | 2002 \$000 | 2001 \$000 | 2001 \$000 | 2001 \$000 | 2001 \$000 |
|---------------------------------|-------------------------------------|---------------|-----------------------|---------------------------------|-------------------------------------|---------------|-----------------------|
| Fund assets at net market value | Total accrued benefits ¹ | Excess | Total vested benefits | Fund assets at net market value | Total accrued benefits ¹ | Excess | Total vested benefits |
| 31,828 | 27,765 | 4,063 | 25,681 | 33,755 | 27,765 | 5,990 | 27,742 |

¹ Accrued benefits have been obtained from the most recent financial report of the Fund being 30 June 2001, but are based on actuarial reviews performed as at 1 July 2000.

Accrued benefits are benefits which the Fund is presently obliged to pay at some future date, as a result of membership of the Fund. Vested benefits are benefits which are not conditional upon the continued membership of the Fund or any factor, other than resignation from the Fund.

The Directors, based on the advice of the trustees of the Fund, are not aware of any changes in circumstances since the date of the most recent actuarial valuation of the Fund which would have a material impact on the overall financial position of the Fund.

In the case of employees who are 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.

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 29 – COMMITMENTS | | | | |
| Capital expenditure commitments | | | | |
| Contracted but not provided for and payable: | | | | |
| Not later than one year | 8,564 | 3,292 | - | - |
| Operating lease commitments | | | | |
| Future operating lease rentals not provided for and payable: | | | | |
| Not later than one year | 20,397 | 16,656 | 37 | 32 |
| Later than one year but not later than five years | 76,654 | 64,056 | 42 | 59 |
| Later than five years | 104,281 | 112,239 | 5 | - |
| | 201,332 | 192,951 | 84 | 91 |
| Finance lease commitments | | | | |
| Finance lease rentals are payable as follows: | | | | |
| Not later than one year | 396 | 20 | - | - |
| Later than one year but not later than five years | 1,676 | 50 | - | - |
| | 2,072 | 70 | - | - |
| Less: Future lease finance charges | (336) | (10) | - | - |
| | 1,736 | 60 | - | - |
| Lease liabilities provided for in the accounts: | | | | |
| Current | 281 | 16 | - | - |
| Non-current | 1,455 | 44 | - | - |
| Total lease liability | 1,736 | 60 | - | - |

| | Consolidated | | The Company | |
|---|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 30 – CONTINGENT LIABILITIES | | | | |
| 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 | - | - | 11,805 | 9,001 |
| Later than one year but not later than five years | - | - | 49,973 | 38,743 |
| Later than five years | - | - | 56,312 | 53,671 |
| | - | - | 118,090 | 101,415 |
| In respect of other investments | | | | |
| 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: | | | | |
| | 58,179 | 49,786 | - | - |
| In addition, the Company or a certain 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 | 44,970 | 38,873 | 10,719 | 8,741 |
| Later than one year but not later than five years | 176,287 | 154,936 | 43,352 | 35,005 |
| Later than five years | 456,554 | 403,374 | 114,830 | 98,170 |
| | 677,811 | 597,183 | 168,901 | 141,916 |
| The Company or a certain controlled entity has guaranteed the consolidated entity's share of obligations made by certain associates or otherwise associated entities (refer Note 34) in respect of operating lease commitments: | | | | |
| | 167,511 | 166,050 | 112,646 | 112,504 |

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 results of the consolidated entity in current and future reporting periods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

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:

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

Subsequent to year end, the following entities have been removed from the Deed:

A.P. Facilities Pty Limited
Atlab Queensland Pty Limited
Oropou Holdings 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 2002 are set out on the following page.

| | Consolidated | |
|--|--------------|----------|
| | 2002 | 2001 |
| | \$000 | \$000 |
| NOTE 31 – DEED OF CROSS GUARANTEE (continued) | | |
| Statement of financial performance | | |
| Profit from ordinary activities before related income tax expense | 36,994 | 36,991 |
| Income tax expense relating to ordinary activities | (8,600) | (10,006) |
| Profit from ordinary activities after related income tax expense | 28,394 | 26,985 |
| Loss on extraordinary items after related income tax expense | (1,414) | (512) |
| Net profit | 26,980 | 26,473 |
| Retained profits at the beginning of the year | 205,304 | 191,313 |
| Transferred from asset revaluation reserve | 1,038 | – |
| Dividends paid or provided for | (13,730) | (12,482) |
| Retained profits at the end of the year | 219,592 | 205,304 |
| Statement of financial position | | |
| Cash assets | 8,638 | 21,505 |
| Receivables | 63,864 | 61,903 |
| Inventories | 13,009 | 13,103 |
| Other | 3,599 | 3,812 |
| TOTAL CURRENT ASSETS | 89,110 | 100,323 |
| Receivables | 47,666 | 30,333 |
| Investments accounted for using the equity method | 194,645 | 203,032 |
| Other financial assets | 87,535 | 21,241 |
| Property, plant and equipment | 310,938 | 311,842 |
| Intangible assets | 11,406 | 11,402 |
| Deferred tax assets | 9,598 | 9,387 |
| Other | 4,049 | 1,985 |
| TOTAL NON-CURRENT ASSETS | 665,837 | 589,222 |
| TOTAL ASSETS | 754,947 | 689,545 |
| Payables | 35,990 | 26,547 |
| Interest bearing liabilities | 22,115 | 23,139 |
| Current tax liabilities | 2,011 | 5,522 |
| Provisions | 14,829 | 13,537 |
| Other | 9,485 | 11,086 |
| TOTAL CURRENT LIABILITIES | 84,430 | 79,831 |
| Interest bearing liabilities | 218,810 | 165,738 |
| Deferred tax liabilities | 13,159 | 14,286 |
| Provisions | 2,804 | 2,008 |
| Other | 739 | 524 |
| TOTAL NON-CURRENT LIABILITIES | 235,512 | 182,556 |
| TOTAL LIABILITIES | 319,942 | 262,387 |
| NET ASSETS | 435,005 | 427,158 |
| Equity | | |
| Contributed equity | 89,311 | 89,311 |
| Reserves | 126,102 | 132,543 |
| Retained profits | 219,592 | 205,304 |
| TOTAL EQUITY | 435,005 | 427,158 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 32 – CONTROLLED ENTITIES

There were no material acquisitions or disposals of controlled entities during the years ended 30 June 2002 and 30 June 2001.

| | Note | Class of share | Entity interest | |
|---|----------|----------------|-----------------|-----------|
| | | | 2002 % | 2001 % |
| NOTE 33 – PARTICULARS IN RELATION TO CONTROLLED ENTITIES | | | | |
| Parent entity | | | | |
| Amalgamated Holdings Limited | | | | |
| Controlled entities | | | | |
| 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 |
| Oropou Holdings Pty Limited | | Ord | 100 | 100 |
| Atlab Kine Services Pty Limited | | Ord | 100 | 100 |
| Kalkoura Pty Limited | | Ord | 100 | 100 |
| A.P. Facilities Pty Limited | | Ord | 100 | 100 |
| Atlab Queensland Pty Limited | | 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 | (c) | Ord | 100 | 100 |
| Greater Union International Holdings Pty Limited | | Ord | 100 | 100 |
| Greater Union International BV | (f) | Ord | 100 | 100 |
| Greater Union International GmbH | (g) | Ord | 100 | 100 |
| Greater Union Entertainment Technology Germany GmbH | (g) | Ord | 100 | 100 |
| Greater Union Limited | (d) | Ord | 100 | 100 |
| Greater Union Nominees Pty Limited | | Ord | 100 | 100 |
| Greater Union Screen Entertainment Pty Limited | | Ord | 100 | 100 |
| Greater Union Technology Pty Ltd | | Ord | 100 | 100 |
| Beachcode Limited | (b), (d) | Ord | 100 | 100 |
| Filmlab Systems International Limited | (b), (d) | 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 | (h) | 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 |
| Kosciusko Thredbo Pty Limited | | Ord | 100 | 100 |
| Pantami Pty Limited | | Ord | 100 | 100 |
| KTPL Unit Trust | | | 100 | 100 |
| Thredbo Resort Centre Pty Limited | | Ord | 100 | 100 |

| | Note | Class of share | Entity interest | |
|---|----------|----------------|-----------------|-----------|
| | | | 2002 % | 2001 % |
| NOTE 33 – PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued) | | | | |
| Rydges Hotels Limited | | Ord | 100 | 100 |
| Blue Rock Management Group Pty Ltd (formerly Parkland Hotels Pty Ltd) | | Ord | 100 | 100 |
| Blue Rock Venue Management Pty Limited | (a) | Ord | 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 |
| 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 | (b), (e) | Ord | 100 | 100 |
| | | Pref | 100 | 100 |
| Rydges Queenstown Hotel Limited | (b), (e) | 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 | (h) | Ord | 100 | 100 |
| Sonata Hotels Pty Ltd | | Ord | 100 | 100 |
| Bryson Centre Unit Trust | | | 100 | 100 |
| Lakeside International Hotel Unit Trust | | | 100 | 100 |
| Wentworth Hotel Superannuation Pty Ltd | | Ord | 100 | 100 |
| Sail Venture Cruises Pty Limited | | Ord | 100 | 100 |
| The Geelong Theatre Company Limited | | Ord | 100 | 100 |
| | | Pref | 100 | 100 |
| Tobeon 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) This company was incorporated on 10 July 2001.
(b) These companies are audited by other member firms of KPMG International.
(c) This company was incorporated in and carries on business in Jersey and is not audited by KPMG. The company has a 31 December balance date.
(d) These companies were incorporated in and carry on business in the United Kingdom.
(e) These companies were incorporated in and carry on business in New Zealand.
(f) This company was incorporated in and carries on business in The Netherlands.
(g) These companies were incorporated in and carry on business in Germany.
(h) These companies were incorporated in and carry on business in Singapore.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Consolidated | |
|---|--------------|---------|
| | 2002 | 2001 |
| | \$000 | \$000 |
| NOTE 34 – INVESTMENTS IN ASSOCIATES | | |
| Results of associates | | |
| Share of associates' operating profit before income tax | 8,048 | 1,221 |
| Share of associates' income tax expense relating to operating profit | (2,885) | (886) |
| Shares of associates' net profit – as disclosed by associates | 5,163 | 335 |
| Adjustments: | | |
| Amortisation of goodwill arising from investment | (450) | (478) |
| Share of associates' net profit/(loss) – equity accounted | 4,713 | (143) |
| Share of post-acquisition retained profits and reserves attributable to associates | | |
| Retained profits | | |
| Share of associates' retained profits at the beginning of the year | 10,260 | 10,921 |
| Share of net profit/(loss) of associates | 4,713 | (143) |
| Dividends from associates | (437) | (518) |
| Share of associates' retained profits at the end of the year | 14,536 | 10,260 |
| Asset revaluation reserve | | |
| Share of associates' asset revaluation reserve at the beginning of the year | 922 | 1,514 |
| Share of decrement in asset revaluation reserve of associates | (3) | (592) |
| Share of associates' asset revaluation reserve at the end of the year | 919 | 922 |
| Asset realisation reserve | | |
| Share of associates' asset realisation reserve at the beginning of the year | 6,946 | 6,655 |
| Share of (decrement)/increment in asset realisation reserve of associates | (2) | 291 |
| Share of associates' asset realisation reserve at the end of the year | 6,944 | 6,946 |
| General reserve | | |
| Share of associates' general reserve at the beginning of the year | 27,480 | 28,426 |
| Share of decrement in general reserve of associates | (1,037) | (946) |
| Share of associates' general reserve at the end of the year | 26,443 | 27,480 |
| Foreign currency translation reserve | | |
| Share of associates' foreign currency translation reserve at the beginning of the year | 4,554 | 201 |
| Share of (decrement)/increment in foreign currency translation reserve of associates | (5,216) | 4,353 |
| Share of associates' foreign currency translation reserve at the end of the year | (662) | 4,554 |
| Movements in carrying amount of investments | | |
| Carrying amount of investments in associates at the beginning of the year | 189,618 | 167,977 |
| Net additional investments in associates | (552) | 14,464 |
| Foreign currency translation movements | 4,455 | 4,732 |
| Share of associates' net profit/(loss) | 4,713 | (143) |
| Dividends received from associates | (437) | (518) |
| Reclassification of investment in Village Roadshow Corporation Limited (refer Note 2(c)) | (66,853) | – |
| Share of (decrement)/increment in associates' reserves | (6,258) | 3,106 |
| Carrying amount of investments in associates at the end of the year | 124,686 | 189,618 |

| | Consolidated | |
|---|---------------|---------------|
| | 2002 \$000 | 2001 \$000 |
| NOTE 34 – INVESTMENTS IN ASSOCIATES (continued) | | |
| Share of associates' capital expenditure commitments | | |
| Share of associates' capital expenditure commitments contracted but not provided for and payable: | | |
| Not later than one year | – | 45,100 |
| Later than one year but not later than five years | – | 36,482 |
| | – | 81,582 |
| Share of associates' operating lease commitments payable | | |
| Not later than one year | 32,891 | 64,846 |
| Later than one year but not later than five years | 144,834 | 277,583 |
| Later than five years | 414,215 | 727,034 |
| | 591,940 | 1,069,463 |
| Share of associates' finance lease commitments payable | | |
| Not later than one year | 81 | 973 |
| Later than one year but not later than five years | 173 | 3,428 |
| Later than five years | – | 781 |
| | 254 | 5,182 |
| Less: Future lease finance charges | (33) | (407) |
| | 221 | 4,775 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 34 – INVESTMENTS IN ASSOCIATES (continued)

Details of investments in associates are as follows:

| Name | Principal activities | Class of share | Interest | | Investment carrying amount | | Contribution to operating profit | |
|---|-----------------------------------|----------------|----------|--------|----------------------------|------------|----------------------------------|------------|
| | | | 2002 % | 2001 % | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Ancona Investments Pty Ltd | Film exhibitor | Ord | 50 | 50 | - | - | - | - |
| Cinema Developments Pty Ltd | Investor | Ord | 50 | 50 | - | - | - | - |
| Cinesound Movietone Productions Pty Ltd | Film owner and distributor | Ord | 50 | 50 | 93 | 113 | 39 | 45 |
| Cinestar Sp.Z.o.o | Film exhibitor | Ord | 50 | 50 | - | - | - | - |
| Greater Union Kieft BV | Film exhibitor | Ord | 33 | 33 | 838 | 522 | 68 | (281) |
| Hindmarsh Square Entertainments Pty Ltd | Property owner and film exhibitor | Ord | 50 | 50 | 1,351 | 1,404 | (53) | 18 |
| Kieft & Kieft Filmtheater GmbH | Film exhibitor | Ord | 50 | 50 | 96,297 | 91,029 | 1,280 | 255 |
| MAF Greater Union LLC | Film exhibitor | Ord | 49 | 49 | 10,537 | 12,482 | (771) | (1,132) |
| Roadshow Distributors Pty Ltd | Film distributor | Ord | 50 | 50 | 15,360 | 14,775 | 516 | (1,304) |
| Village Drive-In (Essendon) Pty Ltd | Investor | Group A Ord | 50 | 50 | - | - | - | - |
| Village Roadshow Corporation Limited | Investor | Ord | 33 | 33 | (d) | 68,956 | 3,742 | 1,857 |
| | | Pref | 4 | 4 | (d) | 2 | - | - |
| Village Roadshow Netherlands BV | Film distributor | Ord | 50 | 50 | 206 | 334 | (108) | 399 |
| Other | | | | | 4 | 1 | - | - |
| | | | | | 124,686 | 189,618 | 4,713 | (143) |

Notes:

- Dividends received from associates for the year ended 30 June 2002 by the consolidated entity amount to \$437,233 (2001: \$518,315).
- Cinestar Sp.Z.o.o, Kieft & Kieft Filmtheater GmbH and MAF Greater Union LLC were incorporated in Poland, Germany and the United Arab Emirates respectively. Greater Union Kieft BV and Village Roadshow Netherlands BV were incorporated in The Netherlands.
- The balance date of all associates is 30 June, with the exception of MAF Greater Union LLC which has a balance date of 31 December.
- Village Roadshow Corporation Limited ceased to qualify as an associate from 13 June 2002. Details are included in Note 2(c).

| | Consolidated | |
|---|----------------|------------------|
| | 2002 \$000 | 2001 \$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 profit/(loss) of associates is as follows: | | |
| Net profit/(loss) – as reported by associates | 8,120 | (2,344) |
| Adjustments arising from equity accounting | (3,407) | 2,201 |
| Net profit/(loss) – equity adjusted | 4,713 | (143) |
| Current assets | 169,880 | 326,419 |
| Non-current assets | 162,408 | 702,117 |
| Total assets | 332,288 | 1,028,536 |
| Current liabilities | 131,870 | 256,573 |
| Non-current liabilities | 77,112 | 584,347 |
| Total liabilities | 208,982 | 840,920 |
| Net assets – as reported by associates | 123,306 | 187,616 |
| Adjustments arising from equity accounting: | | |
| Goodwill (net of amortisation) | 259 | 754 |
| Foreign exchange translation | 1,108 | 1,620 |
| Other | 13 | (372) |
| Net assets – equity adjusted | 124,686 | 189,618 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 35 – INTEREST IN OTHER INVESTMENTS

| Name | Principal activities | Nature of interest | Profit share | | Investment carrying amount | | Share of sales revenue | | Contribution to operating profit | |
|--|---|--------------------|--------------|--------|----------------------------|------------|------------------------|------------|----------------------------------|------------|
| | | | 2002 % | 2001 % | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| (i) Partnerships | | | | | | | | | | |
| Arndale Cinema Centre Partnership | Operator of a multiscreen cinema complex | ^A | 50 | 50 | 12,487 | 8,964 | 9,191 | 4,839 | 973 | 452 |
| Broadway Partnership | Operator of a multiscreen cinema complex | ^A | 50 | 50 | 1,908 | 2,099 | 6,106 | 5,808 | 743 | 812 |
| Browns Plains Multiplex Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 25 | 25 | 183 | 302 | 858 | 757 | 41 | 1 |
| Castle Hill Multiplex Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 25 | 25 | 2,172 | 2,600 | 4,019 | 3,670 | 962 | 809 |
| Casuarina Cinema Centre Partnership | Operator of a multiscreen cinema complex | ^A | 50 | 50 | 8,347 | 10,159 | 9,898 | 7,981 | 1,213 | 660 |
| Fountaingate Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 50 | – | 4,628 | – | 2,785 | – | 209 | – |
| Fun and Games Partnership | Operator of family entertainment leisure centres | ^A | – | – | – | – | – | – | – | (128) |
| Garden City Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 38 | 38 | 13 | 4 | 4,612 | 3,972 | 1,040 | 595 |
| Geelong Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 50 (c) | 50 | 215 | 1,479 | 2,736 | 2,523 | (375) | (372) |
| Jam Factory Cinema Operations Partnership | Operator of a multiscreen cinema complex | ^A | 50 | 50 | 685 | 1,211 | 7,606 | 7,322 | 411 | 276 |
| Jam Factory Shopping Centre Partnership | Property investor | ^A | 50 (c) | 50 | 310 | 907 | – | – | (350) | (100) |
| Movieline Partnership | Owner and operator of a cinema ticketing service | ^A | 33 | 33 | 424 | 643 | 271 | 402 | (733) | (606) |
| Multiplex Cinema Partnership | Owner and operator of multi-screen cinema complexes | ^A | 33 | 33 | 35,706 | 47,027 | 67,145 | 63,004 | 8,761 | 8,611 |
| Perth Cinecentre Partnership | Operator of a multiscreen cinema complex | ^A | 45 | 45 | (254) | (226) | 2,123 | 2,020 | (199) | (396) |
| Piccadilly Cinema Partnership | Owner and operator of a multiscreen cinema complex | ^A | 30 | 30 | 581 | 679 | 722 | 623 | 94 | (8) |
| Shellharbour Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 50 | – | 2 | – | 1,061 | – | 2 | – |
| | | C/fwd | | | 67,407 | 75,848 | 119,133 | 102,921 | 12,792 | 10,606 |

^A Share of partnership assets.

NOTE 35 – INTEREST IN OTHER INVESTMENTS (continued)

| Name | Principal activities | Nature of interest | Profit share | | Investment carrying amount | | Share of sales revenue | | Contribution to operating profit | |
|--|--|--------------------|--------------|--------|----------------------------|------------|------------------------|------------|----------------------------------|------------|
| | | | 2002 % | 2001 % | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| | | B/fwd | | | 67,407 | 75,848 | 119,133 | 102,921 | 12,792 | 10,606 |
| Southbank Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 50 (c) | 50 | 313 | 831 | 612 | 528 | (172) | (422) |
| Southport Cinema Partnership | Operator of a multiscreen cinema complex | ^A | 51(b) | 51(b) | 367 | 370 | 2,467 | 2,237 | 314 | 164 |
| Toowoomba Cinema Centre Partnership | Operator of a multiscreen cinema complex | ^A | 50 | 50 | 2,029 | 2,378 | 3,095 | 2,771 | 385 | 249 |
| Village Greater Union Parramatta Partnership | Operator of multiscreen cinema complexes | ^A | 50 (c) | 50 | 3,546 | 4,461 | 2,182 | 2,470 | (315) | (246) |
| | | | | | 73,662 | 83,888 | 127,489 | 110,927 | 13,004 | 10,351 |
| (ii) Trusts | | | | | | | | | | |
| Roadshow Direct Unit Trust | Direct marketing of collectables | ^B | 50 | 50 | (a) | (a) | - | - | - | - |
| Roadshow Television Unit Trust | Sale of films to television networks | ^C | 41 | 41 | 7,920 | 7,920 | 16,172 | 16,898 | 3,552 | 4,642 |
| | | | | | 7,920 | 7,920 | 16,172 | 16,898 | 3,552 | 4,642 |

^A Share of partnership assets.

^B Share of assets and profit of unit trust.

^C Share of profit of unit trust.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 35 – INTEREST IN OTHER INVESTMENTS (continued)

During the year, the cinema partnerships purchased management services \$4,889,000 (2001: \$3,712,000), block and artwork \$109,317 (2001: \$47,734) and other services \$126,693 (2001: \$45,604) from the consolidated entity. These transactions were on normal commercial terms.

| | Consolidated | |
|---|---------------|----------------|
| | 2002 \$000 | 2001 \$000 |
| The consolidated entity's share of the partnerships' assets and liabilities consist of: | | |
| Current assets | 12,825 | 12,725 |
| Non-current assets | 86,185 | 94,259 |
| Total assets | 99,010 | 106,984 |
| Current liabilities | 16,024 | 14,291 |
| Non-current liabilities | 7,785 | 5,761 |
| Total liabilities | 23,809 | 20,052 |
| Share of net assets | 75,201 | 86,932 |

Refer to Note 30 for details of contingencies.

| | Consolidated | | The Company | |
|---|--------------|-----------|-------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| NOTE 36 – DIRECTORS' REMUNERATION | | | | |
| Directors' income | | | | |
| The number of Directors of the Company whose income from the Company or any related party falls within the following bands: | | | | |
| \$ 40,000 – \$ 49,999 | | | 2 | 2 |
| \$ 50,000 – \$ 59,999 | | | 3 | 3 |
| \$520,000 – \$529,999 | | | – | 1 |
| \$590,000 – \$599,999 | | | 1 | – |
| \$840,000 – \$849,999 | | | – | 1 |
| \$870,000 – \$879,999 | | | 1 | – |
| | \$ | \$ | \$ | \$ |
| Total income paid or payable, or otherwise made available, to all Directors of the Company and controlled entities from the Company or any related party: | 4,529,909 | 6,035,756 | 1,723,683 | 1,606,556 |

Directors' retirement plan

The benefits accrued under the plan during the year by the Company were \$55,000 (2001: \$66,000). In addition, on-costs of \$3,000 (2001: \$3,000) were accrued in accordance with the requirements of AASB 1028 Accounting for Employee Entitlements. During the year, there were no retirement benefits paid to Directors under the plan (2001: \$0). The total amount provided by the Company at balance date was \$653,000 (2001: \$595,000) and this amount is included as a non-current provision for employee entitlements in Note 22.

| | Consolidated | | The Company | |
|---|--------------|------------|-------------|-----------|
| | 2002 | 2001 | 2002 | 2001 |
| NOTE 37 – EXECUTIVES’ REMUNERATION | | | | |
| Executives’ remuneration | | | | |
| The number of Australian-based executive officers and executive Directors of the Company and controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands: | | | | |
| \$100,000 – \$109,999 | 14 | 8 | - | - |
| \$110,000 – \$119,999 | 7 | 9 | - | 1 |
| \$120,000 – \$129,999 | 10 | 4 | 2 | - |
| \$130,000 – \$139,999 | 8 | 7 | 1 | 1 |
| \$140,000 – \$149,999 | 4 | 5 | - | - |
| \$150,000 – \$159,999 | 3 | 7 | 1 | - |
| \$160,000 – \$169,999 | 5 | 1 | - | 1 |
| \$170,000 – \$179,999 | 3 | 4 | 1 | 2 |
| \$180,000 – \$189,999 | 4 | 3 | 1 | - |
| \$190,000 – \$199,999 | 2 | 3 | - | - |
| \$200,000 – \$209,999 | 4 | 2 | - | - |
| \$220,000 – \$229,999 | - | 2 | - | - |
| \$230,000 – \$239,999 | - | 1 | - | - |
| \$240,000 – \$249,999 | 1 | 2 | - | - |
| \$260,000 – \$269,999 | 1 | - | - | - |
| \$300,000 – \$309,999 | 1 | - | - | - |
| \$310,000 – \$319,999 | 1 | - | - | - |
| \$330,000 – \$339,999 | - | 2 | - | - |
| \$350,000 – \$359,999 | - | 1 | - | - |
| \$360,000 – \$369,999 | 1 | - | - | - |
| \$370,000 – \$379,999 | - | 1 | - | 1 |
| \$380,000 – \$389,999 | 1 | - | - | - |
| \$390,000 – \$399,999 | - | 1 | - | - |
| \$400,000 – \$409,999 | 1 | - | - | - |
| \$410,000 – \$419,999 | 1 | - | 1 | - |
| \$520,000 – \$529,999 | - | 1 | - | 1 |
| \$590,000 – \$599,999 | 1 | 1 | 1 | - |
| \$820,000 – \$829,999 | - | 1 | - | - |
| \$840,000 – \$849,999 | - | 1 | - | 1 |
| \$870,000 – \$879,999 | 1 | - | - | - |
| | \$ | \$ | \$ | \$ |
| Total income in respect of the year received, or due and receivable, from the Company, other entities in the consolidated entity or related parties by executive officers and executive Directors of the Company and controlled entities whose income is \$100,000 or more: | 13,130,634 | 13,560,027 | 1,915,319 | 2,504,117 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 38 – RELATED PARTIES

Directors

The names of each person holding the position of Director of the Company during the year are Messrs AJ Clark, TC Ford, RM Graham, GL Herring, AJ Lane, AG Rydge and DC Seargeant.

Details of Directors' remuneration are set out in Note 36.

Apart from the details disclosed in this note, no Director 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 subsisting at balance date.

Directors' holdings of shares and share options

Messrs AJ Clark, TC Ford, RM Graham, GL Herring, AJ Lane, AG Rydge and DC Seargeant hold shares in the Company. Details are set out in the Directors' Report.

Other transactions with the Company or its controlled entities

During the prior year, the Company received an in-specie dividend totalling \$4,284,304 via its shareholding in Carlton Investments Limited. Carlton Investments Limited rents office space from a controlled entity. Rent is charged to Carlton Investments Limited at a market rate. Rent paid during the current year was \$21,175 (2001: \$25,025). Messrs AJ Clark, GL Herring and AG Rydge are Directors of Carlton Investments Limited.

From time to time, Directors of the Company or its controlled entities may purchase services 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 income in Note 36.

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.

| | The Company | |
|--|-------------|---------|
| | 2002 | 2001 |
| | \$000 | \$000 |
| 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: | | |
| Loans to controlled entities (non-current) | 325,261 | 356,252 |
| Interest received or due and receivable | 23,822 | 23,066 |
| Loans from controlled entities (non-current) | 143,013 | 175,392 |
| Interest paid or due and payable | 18,991 | 17,022 |

Management fees

The Company charges all operating and wholly-owned controlled entities a management fee equal to 2% of net operating revenue for management services provided by Directors and senior executives of the Company. Management fees charged during the year were \$6,198,000 (2001: \$6,691,000).

Rent of premises

The Company pays rent to a wholly-owned controlled entity, The Greater Union Organisation Pty Limited, for premises occupied by the Company. The rent is charged monthly at commercial rates.

NOTE 38 – RELATED PARTIES (continued)**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 to associates at a cost of \$500,000 (2001: \$500,000)
- hire of films from Roadshow Distributors Pty Ltd on normal commercial terms to a value of \$7,412,801 (2001: \$5,589,273)
- receipt of property rentals from associates of \$27,345 (2001: \$26,250)
- receipt of Directors' fees from associates of \$30,000 (2001: \$30,000).

Interest in partnerships and unit trusts

Refer to Notes 11, 30 and 35.

Superannuation fund

Details of the consolidated entity's employee superannuation fund are set out in Note 28. Contributions to the fund during the year were \$631,905 (2001: \$565,717) for the consolidated entity and \$74,895 (2001: \$104,682) for the Company.

NOTE 39 – 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

Includes both the Australian and international cinema exhibition operations.

Entertainment Technology

Includes the operation of a film processing/post-production laboratory, theatre equipment supply and servicing and manufacture of film processors and related equipment.

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 Village Roadshow Corporation Limited, Roadshow Distributors Pty Ltd 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 39 – SEGMENT INFORMATION (continued)

| | Cinema Exhibition \$000 | Entertainment Technology \$000 | Hotels \$000 | Thredbo Alpine Resort \$000 | Leisure/ Attractions \$000 | Strategic Investments \$000 | Other \$000 | Consolidated \$000 |
|--|-------------------------------|--------------------------------------|-----------------|-----------------------------------|----------------------------------|-----------------------------------|----------------|-----------------------|
| 30 June 2002 | | | | | | | | |
| Business segments | | | | | | | | |
| Revenue | | | | | | | | |
| External segment revenue | 101,362 | 82,095 | 84,052 | 36,657 | 26,005 | – | 17,530 | 347,701 |
| Other unallocated revenue | | | | | | | | 4,210 |
| Total revenue | | | | | | | | 351,911 |
| Result | | | | | | | | |
| Segment result | 10,104 | 11,657 | 8,164 | 6,625 | (1,340) | 470 | 7,638 | 43,318 |
| Share of net profit of equity accounted business undertakings | 14,261 | 39 | – | – | – | 6,969 | – | 21,269 |
| | 24,365 | 11,696 | 8,164 | 6,625 | (1,340) | 7,439 | 7,638 | 64,587 |
| Unallocated revenues and expenses (net) | | | | | | | | (6,359) |
| Borrowing costs (net) | | | | | | | | (18,782) |
| Profit from ordinary activities before related income tax expense | | | | | | | | |
| | | | | | | | | 39,446 |
| Income tax expense | | | | | | | | (9,634) |
| Profit from ordinary activities after income tax expense | | | | | | | | |
| | | | | | | | | 29,812 |
| Extraordinary items after related income tax expense | | | | | | | | (1,414) |
| Net profit | | | | | | | | 28,398 |
| Depreciation and amortisation | 7,382 | 2,096 | 5,484 | 5,153 | 2,679 | – | 717 | 23,511 |
| Non-cash expenses other than depreciation and amortisation | (625) | 445 | 564 | (172) | 32 | – | 1,961 | 2,205 |
| Unusual items | | | | | | | | |
| Proceeds on sale of property | – | – | – | – | – | – | 13,365 | 13,365 |
| Written down value of property sold | – | – | – | – | – | – | (10,010) | (10,010) |
| | – | – | – | – | – | – | 3,355 | 3,355 |

NOTE 39 – SEGMENT INFORMATION (continued)

| | Cinema Exhibition \$000 | Entertainment Technology \$000 | Hotels \$000 | Thredbo Alpine Resort \$000 | Leisure/ Attractions \$000 | Strategic Investments \$000 | Other \$000 | Consolidated \$000 |
|---|-------------------------------|--------------------------------------|-----------------|-----------------------------------|----------------------------------|-----------------------------------|----------------|-----------------------|
| 30 June 2002 | | | | | | | | |
| Unusual items (continued) | | | | | | | | |
| Provision for diminution in carrying value of interests in partnerships | (2,137) | - | - | - | - | - | - | (2,137) |
| Recoveries of loan to an associate for which a provision for diminution had been raised in previous years | 608 | - | - | - | - | - | - | 608 |
| Assets | | | | | | | | |
| Segment assets | 146,488 | 39,691 | 169,587 | 64,447 | 30,727 | 83,027 | 11,058 | 545,025 |
| Equity accounted investments | 182,468 | 93 | - | - | - | - | 15,787 | 198,348 |
| Unallocated corporate assets | | | | | | | | 10,300 |
| Consolidated total assets | | | | | | | | 753,673 |
| Liabilities | | | | | | | | |
| Segment liabilities | 28,566 | 17,819 | 30,236 | 10,382 | 4,807 | - | - | 91,810 |
| Unallocated corporate liabilities | | | | | | | | 248,344 |
| Consolidated total liabilities | | | | | | | | 340,154 |
| Acquisitions of non-current assets | 16,045 | 2,991 | 2,998 | 4,207 | 4,843 | - | 1,397 | 32,481 |
| Geographical segments | | | | | | | | |
| | | | | Australia and NZ \$000 | Europe \$000 | Other \$000 | | Consolidated \$000 |
| External segment revenue | | | | 345,785 | 6,126 | - | | 351,911 |
| Segment assets by location of assets | | | | 642,957 | 100,023 | 10,693 | | 753,673 |
| Acquisition of non-current assets | | | | 32,481 | - | - | | 32,481 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

NOTE 39 – SEGMENT INFORMATION (continued)

| | Cinema Exhibition \$000 | Entertainment Technology \$000 | Hotels \$000 | Thredbo Alpine Resort \$000 | Leisure/ Attractions \$000 | Strategic Investments \$000 | Other \$000 | Consolidated \$000 |
|--|-------------------------------|--------------------------------------|-----------------|-----------------------------------|----------------------------------|-----------------------------------|----------------|-----------------------|
| 30 June 2001 | | | | | | | | |
| Business segments | | | | | | | | |
| Revenue | | | | | | | | |
| External segment revenue | 85,822 | 85,586 | 89,469 | 40,988 | 23,710 | - | 7,057 | 332,632 |
| Other unallocated revenue | | | | | | | | 12,876 |
| Total revenue | | | | | | | | 345,508 |
| Result | | | | | | | | |
| Segment result | 3,210 | 4,956 | 12,332 | 10,141 | 947 | 470 | 3,723 | 35,779 |
| Share of net profit of equity accounted business undertakings | 9,817 | 45 | - | - | - | 4,988 | - | 14,850 |
| | 13,027 | 5,001 | 12,332 | 10,141 | 947 | 5,458 | 3,723 | 50,629 |
| Unallocated revenues and expenses (net) | | | | | | | | 891 |
| Borrowing costs (net) | | | | | | | | (17,491) |
| Profit from ordinary activities before related income tax expense | | | | | | | | |
| | | | | | | | | 34,029 |
| Income tax expense | | | | | | | | (10,626) |
| Profit from ordinary activities after income tax expense | | | | | | | | |
| | | | | | | | | 23,403 |
| Extraordinary items after related income tax expense | | | | | | | | (512) |
| Net profit | | | | | | | | 22,891 |
| Depreciation and amortisation | 6,985 | 1,896 | 5,513 | 4,981 | 2,165 | - | 843 | 22,383 |
| Non-cash expenses other than depreciation and amortisation | (296) | 85 | (143) | 232 | 47 | - | (419) | (494) |
| Unusual items | | | | | | | | |
| Proceeds on sale of property | - | - | - | - | - | - | 4,144 | 4,144 |
| Written down value of property sold | - | - | - | - | - | - | (1,720) | (1,720) |
| | - | - | - | - | - | - | 2,424 | 2,424 |

NOTE 39 – SEGMENT INFORMATION (continued)

| | Cinema Exhibition \$000 | Entertainment Technology \$000 | Hotels \$000 | Thredbo Alpine Resort \$000 | Leisure/ Attractions \$000 | Strategic Investments \$000 | Other \$000 | Consolidated \$000 |
|--|-------------------------------|--------------------------------------|-----------------|-----------------------------------|----------------------------------|-----------------------------------|----------------|-----------------------|
| 30 June 2001 | | | | | | | | |
| Unusual items (continued) | | | | | | | | |
| Provision for diminution in carrying value of loan to an associate | (3,337) | - | - | - | - | - | - | (3,337) |
| Redundancy and restructuring costs | - | (2,959) | - | - | - | - | - | (2,959) |
| Special in-specie dividend received from other company | - | - | - | - | - | - | 4,284 | 4,284 |
| Assets | | | | | | | | |
| Segment assets | 150,813 | 43,614 | 172,115 | 66,081 | 26,617 | 16,174 | 11,090 | 486,504 |
| Equity accounted investments | 189,017 | 113 | - | - | - | 84,376 | - | 273,506 |
| Unallocated corporate assets | | | | | | | | 18,372 |
| Consolidated total assets | | | | | | | | 778,382 |
| Liabilities | | | | | | | | |
| Segment liabilities | 104,021 | 13,486 | 23,106 | 17,615 | 2,722 | - | - | 160,950 |
| Unallocated corporate liabilities | | | | | | | | 214,537 |
| Consolidated total liabilities | | | | | | | | 375,487 |
| Acquisitions of non-current assets | 7,682 | 1,314 | 13,418 | 7,605 | 1,388 | - | 203 | 31,610 |
| Geographical segments | | | | | | | | |
| | | | | Australia and NZ \$000 | Europe \$000 | Other \$000 | | Consolidated \$000 |
| External segment revenue | | | | 340,354 | 5,106 | 48 | | 345,508 |
| Segment assets by location of assets | | | | 666,901 | 98,815 | 12,666 | | 778,382 |
| Acquisition of non-current assets | | | | 31,610 | - | - | | 31,610 |

NOTE 40 – 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 statements of financial position as follows:

| | Note | Consolidated | | The Company | |
|-----------------------------|------|---------------|---------------|---------------|---------------|
| | | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| Cash on hand and on deposit | 10 | 10,322 | 28,367 | 89 | 8,227 |
| Bank overdraft | 20 | - | - | (235) | - |
| Short-term deposits | 11 | 97 | 99 | - | - |
| | | 10,419 | 28,466 | (146) | 8,227 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2002

| | Consolidated | | The Company | |
|--|---------------|---------------|---------------|---------------|
| | 2002 \$000 | 2001 \$000 | 2002 \$000 | 2001 \$000 |
| NOTE 40 – NOTES TO THE STATEMENTS OF CASH FLOWS (continued) | | | | |
| (ii) Reconciliation of profit from ordinary activities after related income tax expense to net cash provided/(used) by operating activities | | | | |
| Profit from ordinary activities after related income tax expense | 29,812 | 23,403 | 6,425 | 8,438 |
| Less extraordinary item: | | | | |
| Costs associated with Thredbo road collapse | (1,414) | (512) | - | - |
| Less items classified as investing activities: | | | | |
| Profit on sale of non-current assets | (4,777) | (3,414) | (1,760) | (1,496) |
| Add/(less) non-cash items: | | | | |
| Dividends received in scrip in lieu of cash | - | (4,284) | - | (4,284) |
| Intercompany revenue | - | - | (11,036) | (12,742) |
| Increase/(decrease) in provisions for diminution in carrying value of loans to controlled entities | - | - | - | 3,464 |
| Depreciation | 18,747 | 17,993 | 104 | 106 |
| Amortisation | 4,764 | 4,390 | - | - |
| Increase/(decrease) in provisions | 847 | (797) | 311 | 306 |
| Increase/(decrease) in income taxes payable | 444 | (2,277) | (1,365) | 548 |
| Share of associates' net (profit)/loss | (4,276) | 661 | - | - |
| Unrealised foreign exchange losses | 1,358 | 303 | - | - |
| Net cash provided/(used) by operating activities before change in assets and liabilities | 45,505 | 35,466 | (7,321) | (5,660) |
| Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired during the year: | | | | |
| (Increase)/decrease in receivables | (3,217) | 5,643 | 64 | 30 |
| (Increase)/decrease in inventories | (314) | 3,729 | - | - |
| Decrease in investments | 15,073 | 11,070 | - | - |
| (Increase)/decrease in other current assets | (2,727) | 1,029 | - | - |
| (Increase)/decrease in deferred expenditure | (1,616) | 863 | - | - |
| (Decrease)/increase in creditors and accruals | (4,565) | 3,929 | (103) | 547 |
| (Decrease)/increase in deferred tax items | (4,499) | (1,121) | (51) | 116 |
| (Decrease)/increase in other liabilities | (1,557) | 2,774 | (250) | (476) |
| Net cash provided/(used) by operating activities | 42,083 | 63,382 | (7,661) | (5,443) |

(iii) Non-cash financing and investment activities

There were no material non-cash transactions excluded from the financial statements for the year ended 30 June 2002.

(iv) Financing arrangements

Refer to Note 21.

NOTE 41 – EVENTS SUBSEQUENT TO BALANCE DATE

Since 30 June 2002, the Company has signed an agreement with a subsidiary of The Rank Group Plc for the sale of 50% of its shareholding in the Atlab group of companies. The Atlab group undertakes multi-release film printing and post-production services. The sale does not include the Atlab Image and Sound Technology cinema fitout business. The consideration for the sale is \$26.4 million and the anticipated profit from the sale is approximately \$18 million.

This transaction was completed on 10 September 2002.

The financial effects of the above transaction have not been brought to account in the financial statements for the year ended 30 June 2002.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Amalgamated Holdings Limited:
 - (a) the financial statements and notes, set out on pages 31 to 80, 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 2002 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 19th day of September 2002.

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

We have audited the financial report of Amalgamated Holdings Limited for the financial year ended 30 June 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes (1 to 41), and the Directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



KPMG

Sydney, 19th September 2002



MJ Coleman

Partner

SUPPLEMENTARY INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this Annual Report.

Substantial shareholders

The number of ordinary shares held by the substantial shareholders listed in the Company's Register of Substantial Shareholders at 19 September 2002 was:

| Shareholder | Number of ordinary shares held |
|-----------------------------|--------------------------------|
| Enbearn Pty Limited | 56,598,377 ¹ |
| Carlton Investments Limited | 56,588,377 |
| Maple-Brown Abbott Limited | 12,499,340 |

¹Includes Carlton Investment's Limited holding

Class of shares and voting rights

At 19 September 2002, there were 5,166 holders of ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Clause 54 of the Company's Constitution, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares –

- (a) at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney; and
- (b) on a show of hands, every person present who is a member or a representative of a member has one vote, and on a poll, every member present in person or by proxy or attorney and every person present who is a representative of a member has one vote for each share he holds or represents as the case may be."

Distribution of shareholders at 19 September 2002

| Category | Ordinary shares | |
|---|------------------------|-----------------------|
| | Number of shareholders | Number of shares held |
| 1 – 1,000 | 2,524 | 1,202,243 |
| 1,001 – 5,000 | 1,698 | 4,584,297 |
| 5,001 – 10,000 | 451 | 3,421,466 |
| 10,001 – 100,000 | 440 | 11,032,038 |
| 100,001 and over | 53 | 104,574,398 |
| | 5,166 | 124,814,442 |
| Number of shareholders holding less than a marketable parcel at 19 September 2002 | 553 | |

Unquoted Ordinary Shares

As at September 19, there were 500,200 unquoted ordinary shares issued pursuant to the AHL employee share plan. The shares were held by 776 holders.

On-market buy-back

There is no current on-market buy-back.

Company Secretaries

IK White
JP Boland

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.

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

Other information

Amalgamated Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

SUPPLEMENTARY INFORMATION (CONTINUED)

Twenty largest shareholders of ordinary shares of the Company as at 19 September 2002

| Name | Number of shares held | Percentage of capital held |
|---|--------------------------|-------------------------------|
| Enbear Pty Limited | 28,028,359 | 22.5 |
| RBC Global Services Australia Nominees Pty Limited | 23,748,797 | 19.0 |
| Eneber Investment Company Limited | 16,045,906 | 12.9 |
| The Manly Hotels Pty Limited | 4,625,001 | 3.7 |
| Carlton Hotel Limited | 4,262,225 | 3.4 |
| National Nominees Limited | 4,243,019 | 3.4 |
| JP Morgan Nominees Australia Limited | 4,088,126 | 3.3 |
| Alphoeb Pty Limited | 3,203,846 | 2.6 |
| IOOF Investment Management Limited | 1,672,008 | 1.3 |
| Mr A G Rydge | 1,526,455 | 1.2 |
| Commonwealth Custodial Services Limited | 1,471,198 | 1.2 |
| TN Phillips Investments Pty Ltd | 1,003,784 | 0.8 |
| Permanent Trustee Australia Limited | 859,053 | 0.7 |
| Sandhurst Trustees Ltd | 840,000 | 0.7 |
| MMI General Insurance Limited | 667,061 | 0.5 |
| Citicorp Nominees Pty Limited | 620,961 | 0.5 |
| Argo Investments Limited | 603,279 | 0.5 |
| Government Superannuation Office (A/c State Super Fund) | 555,731 | 0.4 |
| Australian United Investment Company Limited | 500,000 | 0.4 |
| The Ian Potter Foundation Limited | 500,000 | 0.4 |
| Total | 99,064,809 | 79.4 |

