AHL

ABN 51 000 005 103

AMALGAMATED HOLDINGS LIMITED

Annual Report 2011

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2011 ANNUAL REPORT

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CORPORATE GOVERNANCE STATEMENT

1. INTRODUCTION

This 2011 Corporate Governance Statement ("Statement") sets out the key corporate governance principles adopted by the directors in governing Amalgamated Holdings Limited ("Company") and its subsidiaries (collectively referred to as "AHL" or "Group") and reflects the corporate governance policies and procedures which applied during the financial year ended 30 June 2011.

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

2. APPROACH TO CORPORATE GOVERNANCE

2.1 Framework and approach to corporate governance and responsibility

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

2.2 Compliance with the Corporate Governance Principles and Recommendations

The Australian Securities Exchange ("ASX") has issued the ASX Listing Rules which require listed companies to include in their annual report a statement disclosing the extent to which they have followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Recommendations") in the reporting period. Listed companies must identify the Recommendations that have not been followed and provide reasons for the company's decision. A table outlining the compliance, or otherwise, to the Recommendations has been included in section 11 of this Statement.

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

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

3. BOARD

3.1 Role and responsibilities of the Board

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

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

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

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

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

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

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

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

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

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

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

The Board considers that individually and collectively the directors bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities effectively. Further information on the skills, experience and expertise of the directors has been included in section 10.1 of this Statement.

Details of the number of Board meetings and the attendance of the directors have been included in section 10.2 of this Statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

4. AUDIT COMMITTEE
4.1 Role and responsibilities of the Audit Committee
The Audit Committee Charter sets out the Committee's roles and responsibilities. Its primary responsibilities are to:

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

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

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

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

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

The members of the Audit Committee during the year were:
- AJ Clark (Chairman) – independent non-executive director;
- PR Coates – independent non-executive director (appointed to the Audit Committee on 19 August 2010);
- RM Graham – independent non-executive director (resigned 20 April 2011); and
- AG Rydge – non-executive director.

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

The Audit Committee meets at least four times per year. Details of the number of Committee meetings and the attendance of the Committee members have been included in section 10.2 of this Statement.

5. NOMINATION AND REMUNERATION COMMITTEE
5.1 Role and responsibilities of the Nomination and Remuneration Committee
The Nomination and Remuneration Committee Charter sets out the Committee's roles and responsibilities. Its primary responsibilities are to advise the Board on matters including:
- the composition, remuneration and performance evaluation of the Board;
- the appointment of the Managing Director;
- succession plans for the position of Managing Director; and
- the remuneration strategy for the Managing Director and other senior executives.

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

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

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

The members of the Nomination and Remuneration Committee during the year were:
- AJ Clark (Chairman) – independent non-executive director;
- PR Coates – independent non-executive director (appointed to the Nomination and Remuneration Committee on 19 August 2010);
- RM Graham – independent non-executive director (resigned 20 April 2011); and
- AG Rydge – non-executive director.

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

The Nomination and Remuneration Committee meets at least two times per year and further as required. Details of the number of Committee meetings and the attendance of the Committee members have been included in section 10.2 of this Statement.

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

The Board also has in place an annual process to review its performance as well as the performance of the Board Committees. Each director completes a performance evaluation questionnaire. The questionnaire covers topics including:
- the Board's role;
- composition and effectiveness;
- procedures and practices;
- behaviours;
- Board administration; and
- the conduct of the Chairman.

6.1 Board performance and remuneration (continued)
Directors are requested to provide comment and feedback and to evaluate each area by providing a rated response to various questions. The results of the performance evaluation are collated by the Company Secretary and submitted to the Nomination and Remuneration Committee for review. A summary of the results is then submitted to the full Board. The Board evaluation process was last completed in May 2011. The results of the performance evaluation form the basis of an action plan designed to address performance improvement opportunities.

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

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

The maximum aggregate amount of fees that may be paid to all non-executive directors each year is capped at $1.5 million, which was approved by shareholders at the 2010 Annual General Meeting of shareholders. The Board maintains a fee buffer to give it sufficient flexibility to plan its structure in advance of specific needs that may arise. The total fees paid to non-executive directors during the reporting period were $851,710.

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

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

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

For senior executives, the Managing Director conducts interviews with each executive and provides comments and feedback in relation to the senior executive's performance. A formal review process occurs for each employee with nominated supervisors conducting the performance review. The formal review process occurs annually and was completed in June 2011. Further details on the assessment criteria for the Managing Director and senior executive remuneration (including equity-based share plans) are disclosed within the Remuneration Report.

6.3 Remuneration Report
The Remuneration Report is set out with, and forms part of, the Directors' Report for the year ended 30 June 2011.

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

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

Divisional Managing Directors and other senior executives complete and sign off on an annual Directors' Risk Management Questionnaire. The operational and other compliance risk management procedures have also been assessed and found to be operating efficiently and effectively. All risk assessments cover the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group. The annual Directors' Risk Management Questionnaire for the year ended 30 June 2011 was completed in July 2011.

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

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

7.2 Financial reporting

The Managing Director and the Director Finance & Accounting have declared, in writing to the Board that the financial report of the Group is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The declarations for the year ended 30 June 2011 were received in August 2011.

7.3 Internal Audit

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

7.4 Code of Ethics and Business Conduct

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

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

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

7.5 Whistleblowing Policy

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

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

7.6 Legal compliance training

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

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

7.7 Dealing in Company shares by directors and employees

The Company has a Share Trading Policy Guide. It is the policy of the Company that directors and senior executives can only buy or sell shares in the Company in the six week period from (and including) the second business day following any price sensitive announcement including the half year and full year results, and the Annual General Meeting. Trading outside of this period can only be conducted with prior written approval, which will only be provided in certain exceptional circumstances. 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. The policy is also applicable to all other employees of the Group.

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

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

The policy prohibits employees from using derivatives or entering into transactions that operate, or are intended to operate, to limit the economic risk of unvested entitlements to shares, including unvested performance shares issued under the Group's long term incentive scheme.

The Share Trading Policy Guide is available from the Company's website or upon request from the Company Secretary.

8. COMMUNICATION AND ENVIRONMENT

8.1 Continuous Disclosure Policy

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

In summary, the Continuous Disclosure Policy operates as follows:

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

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

8.2 Shareholders and the Annual General Meeting

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

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

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

8.3 Environmental reporting system

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

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

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

9. DIVERSITY

9.1 Diversity in the workplace

The Board is committed to an inclusive workplace that embraces and promotes diversity, including indigenous and disability employment, equal opportunity and women in management. The Board has delegated management of diversity to the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee will report to the Board and make recommendations as appropriate regarding diversity related measurable objectives and the formulation of a Diversity Policy. Progress against set diversity related targets will be included in the future annual reports.

9.2 Gender representation for the Board and senior executives
The gender representation profile for the Board and senior executives is as follows:

	Gender representation			
	30 June 2011		30 June 2010	
	Female (%)	Male (%)	Female (%)	Male (%)
Board	14%	86%	–%	100%
Other key management personnel	14%	86%	–%	100%
Other senior executives	23%	77%	26%	74%

The gender representation of the Group (for all employees) will be included in the future annual reports.

10. DIRECTORS' QUALIFICATIONS AND ATTENDANCE AT MEETINGS
10.1 Directors' qualifications, experience and independent status

Alan Rydge
Age 59. Non-executive Chairman, Board member since 1978, Chairman of the Board since 1980, Audit Committee member and Nomination and Remuneration Committee member.
Experience
A company director with 40-plus years experience in the film, hospitality, leisure and tourism industries. Joined the Greater Union group in 1971 and was formerly the Group Managing Director.
Directorships
Mr Rydge is also a director of the listed company, Carlton Investments Limited (appointed 1980, chairman since 1980). In addition, Mr Rydge is chairman of Alphoeb Pty Limited and Enbeear Pty Limited.

Kenneth Chapman ***MB BS, FAICD, FAIM, AFRACMA***
Age 49. Independent non-executive director and Board member appointed 18 February 2010.
Experience
A company director with 20-plus years senior executive experience in the tourism area. Currently, chief executive officer of Skyrail-ITM and executive director of the Chapman group of companies.
Directorships
Mr Chapman held the following positions during the year:
- chairman of Far North Queensland Hospital Foundation;
- chairman of Far North Queensland Ports Corporation Limited;
- chairman of Skyrail Rainforest Foundation Limited;
- director of GFB Fisheries Limited; and
- director of various entities associated with the privately held Chapman group of companies.

Anthony Clark ***AM, FCA, FAICD***
Age 72. Independent non-executive director, Board member since 1998, Audit Committee member and Nomination and Remuneration Committee member. Mr Clark is chairman of the Audit Committee and Nomination and Remuneration Committee and is the lead independent director.
Experience
A company director with 40-plus years accounting, audit, consulting and finance related experience. Mr Clark previously practised as a Chartered Accountant.
Directorships
Directorships of other listed companies, held during the last three years, include:
- Carlton Investments Limited (appointed 2000);
- Ramsay Health Care Limited (appointed 1998); and
- Sphere Minerals Limited (appointed 2010).

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

10.1 Directors' qualifications, experience and independent status (continued)

Peter Coates *AO*
Age 65. Independent non-executive director, Board member since 2009, Audit Committee member and Nomination and Remuneration Committee member.
Experience
A company director with 40-plus years senior executive experience in the mining and commodities industries. Mr Coates' experience includes exposure to domestic and international business practices, mergers and acquisitions and the development of industry-leading workplace reporting and governance standards for numerous joint venture partnerships and companies listed in Australia and the United Kingdom. Former non-executive chairman of Xstrata Australia Pty Limited and chief executive of Xstrata Coal.
Directorships
Directorships of other listed companies, held during the last three years, include:

- Downer EDI Limited (appointed 2008 and resigned 2009);
- Minara Resources Limited (appointed director and chairman 2008 and resigned 2011);
- Santos Limited (appointed director 2008 and chairman 2009); and
- Glencore International PLC (appointed 14 April 2011).

Mr Coates was past chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association. He was awarded the Australasian Institute of Mining and Metallurgy Medal in 2010.

Valerie Davies*, FAICD*
Age 60. Independent non-executive director and Board member appointed 20 April 2011.
Experience
A company director with 20-plus years senior executive experience within the corporate communications area. Currently, managing director and principal of One.2.One Communications Pty Limited, a consultancy firm that specialises in strategic communication and issues management.
Directorships
Ms Davies is a director of HBF Health Limited, Miners' Promise and The Youth Focus Foundation Pty Limited and has previously served on the boards of Iluka Resources Limited and Tourism Australia.

Robert Graham *BE Sydney, MBA Harvard, FAICD*
Age 74. Mr Graham resigned as a director on 20 April 2011. Prior to resignation, Mr Graham held the position of independent non-executive director and Board member, having been appointed in 1990, and Audit Committee member and Nomination and Remuneration Committee member.
Experience
A company director with 40-plus years experience as a management consultant and senior executive. Former group general manager and director of Consolidated Press Holdings Limited and managing director of Samuel Taylor.
Directorships
Mr Graham was a former director of the Australian Institute of Company Directors (1998 – 2001).

Richard Newton *BBus (Marketing), FAICD*
Age 51. Independent non-executive director and Board member since 2008.
Experience
A company director with 20-plus years senior executive experience in property investment and development, specifically in hotel operations.
Directorships
Mr Newton held the following positions during the year:

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

David Seargeant
Age 61. Managing Director, Board member since 2001 and appointed Managing Director in January 2002.
Experience
Managing Director with 30-plus years experience in the hospitality and leisure industries. Former managing director of the Rydges Hotels group (1988 - 2002) and the Greater Union group (2000 - 2002).
Directorships
Mr Seargeant is also a director of Tourism Training Australia.

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

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

	Directors' meetings		Audit Committee meetings		Nomination and Remuneration Committee meetings	
	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
AG Rydge	9	9	4	4	4	4
KG Chapman	9	9	–	–	–	–
AJ Clark	9	9	4	4	4	4
PR Coates [(a)]	9	9	3	3	3	3
VA Davies [(b)]	1	1	–	–	–	–
RM Graham [(c)]	8	8	3	3	3	3
RG Newton	9	9	–	–	–	–
DC Seargeant [(d)]	9	9	4	4	4	4

(a) PR Coates was appointed to the Audit Committee and Nomination and Remuneration Committee on 19 August 2010.
(b) VA Davies was appointed 20 April 2011.
(c) RM Graham resigned 20 April 2011.
(d) Attended Audit Committee and Nomination and Remuneration Committee meetings by invitation.

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

11. RECOMMENDATIONS		**Reference**	**Comply**
Recommendation 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	3.1	Yes
Recommendation 1.2	Companies should disclose the process for evaluating the performance of senior executives.	6.2	Yes
Recommendation 1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.		
	Guide to reporting on Principle 1 The following material should be included in the corporate governance statement in the annual report:		
	• an explanation of any departure from Recommendations 1.1, 1.2 or 1.3; and	–	Not applicable
	• whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.	6.2	Yes
	A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	3.1	Yes
Recommendation 2.1	A majority of the board should be independent directors.	3.3, 10.1	Yes
Recommendation 2.2	The chair should be an independent director.	3.5, 10.1	No
Recommendation 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	3.3	Yes
Recommendation 2.4	The board should establish a nomination committee.	3.2	Yes
Recommendation 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	6.1	Yes

11. RECOMMENDATIONS (continued)		Reference	Comply
Recommendation 2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.		
	Guide to reporting on Principle 2 The following material should be included in the corporate governance statement in the annual report:		
	• the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;	3.3, 10.1	Yes
	• the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds;	3.4, 10.1	Yes
	• the existence of any of the relationships affecting the independent status of a director and an explanation of why the board considers a director to be independent, notwithstanding the existence of those relationships;	3.4	Yes
	• a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company;	3.8	Yes
	• a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the board;	3.3	Not yet applicable
	• the period of office held by each director in office at the date of the annual report;	10.1	Yes
	• the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out;	5.2, 10.2	Yes
	• whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and	6.1	Yes
	• an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.	3.3, 3.4, 3.5	Yes
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors;	3.3	Yes
	• the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and	5.1, 5.2	Yes
	• the board's policy for the nomination and appointment of directors.	3.3	Yes
Recommendation 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	7.4, 7.5	Yes
Recommendation 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	9.1, 9.2	Not yet applicable
Recommendation 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	9.1, 9.2	Not yet applicable
Recommendation 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	9.1, 9.2	Not yet applicable

11. RECOMMENDATIONS (continued)		Reference	Comply
Recommendation 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.		
	Guide to reporting on Principle 3 An explanation of any departure from Recommendations 3.1, 3.2, 3.3, 3.4 or 3.5 should be included in the corporate governance statement in the annual report.	–	Not applicable
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• any applicable code of conduct or a summary; and	7.4	Yes
	• the diversity policy or a summary of its main provisions.	9.1, 9.2	Not yet applicable
Recommendation 4.1	The board should establish an audit committee.	3.2, 4.1, 4.2	Yes
Recommendation 4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	4.2	Yes
Recommendation 4.3	The audit committee should have a formal charter.	4.1	Yes
Recommendation 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.		
	Guide to reporting on Principle 4 The following material should be included in the corporate governance statement in the annual report:		
	• the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out;	4.2, 10.1, 10.2	Yes
	• the number of meetings of the audit committee; and	4.2, 10.2	Yes
	• explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.	–	Not applicable
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• the audit committee charter; and	4.1	Yes
	• information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	4.1	Yes
Recommendation 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	8.1	Yes
Recommendation 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.		
	Guide to reporting on Principle 5 An explanation of any departures from Recommendations 5.1 or 5.2 should be included in the corporate governance statement in the annual report.	–	Not applicable
	The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's website in a clearly marked corporate governance section.	8.1	Yes

11. RECOMMENDATIONS (continued)		Reference	Comply
Recommendation 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	8.1, 8.2	Yes
Recommendation 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.		
	Guide to reporting on Principle 6 An explanation of any departure from Recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.	–	Not applicable
	The company should describe how it will communicate with its shareholders publicly, ideally by posting this information on the company's website in a clearly marked corporate governance section.	8.1, 8.2	Yes
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7.1	Yes
Recommendation 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	3.1, 4.1, 7.1, 7.2, 7.3	Yes
Recommendation 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	7.2	Yes
Recommendation 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.		
	Guide to reporting on Principle 7 The following material should be included in the corporate governance statement in the annual report:		
	• explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4;	–	Not applicable
	• whether the board has received the report from management under Recommendation 7.2; and	7.1	Yes
	• whether the board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.	7.2	Yes
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• a summary of the company's policies on risk oversight and management of material business risks.	7.1	Yes
Recommendation 8.1	The board should establish a remuneration committee.	3.2, 5.1, 5.2	Yes
Recommendation 8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	5.2	Yes
Recommendation 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	6.1, 6.2	Yes

11. RECOMMENDATIONS (continued)		Reference	Comply
Recommendation 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8. **Guide to reporting on Principle 8** The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:		
	• the names of the members of the remuneration committee and their attendance at meetings of the committee, or where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out;	5.2, 10.1, 10.2	Yes
	• the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; and	3.9, 6.1	Yes
	• an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4.	–	Not applicable
	The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:		
	• the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee; and	5.1, 5.2	Yes
	• a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	7.7	Yes

DIRECTORS' REPORT

The directors present their report together with the financial report of Amalgamated Holdings Limited, being the Company and its controlled entities ("Group"), for the year ended 30 June 2011 and the auditor's report thereon.

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

Mr AG Rydge (Chairman)
Director since 1978

Mr AJ Clark (lead independent director)
Director since 1998

Mr KG Chapman
Director since 2010

Mr PR Coates
Director since 2009

Ms VA Davies
Appointed 20 April 2011

Mr RG Newton
Director since 2008

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

Mr RM Graham was a director since 1990 and resigned 20 April 2011.

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

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

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
The significant change in the state of affairs of the Group during the year included the sale of the Group's 49% share in an associate, MAF Greater Union LLC. The consideration from the sale was $78,583,000 and the profit on the sale was $60,318,000.

OPERATING AND FINANCIAL REVIEW
Overview of the Group
The normalised result before individually significant items and income tax expense was $102,305,000 (2010: $118,250,000), a decrease of $15,945,000 or 13.5% on the prior year result. Net profit was $139,831,000 (2010: $98,772,000), an increase of $41,059,000 or 41.6% above the prior year result.

A summary of the normalised result is outlined below:

	2011				2010			
	Normalised result * $'000	Discontinued operations $'000	Individually significant items $'000	Total $'000	Normalised result * $'000	Discontinued operations $'000	Individually significant items $'000	Total $'000
Entertainment								
Australia	46,553	–	–	46,553	52,979	–	3,262	56,241
New Zealand	2,279	–	–	2,279	694	–	–	694
Germany	15,627	–	–	15,627	30,166	–	(1,215)	28,951
United Arab Emirates	–	1,964	60,318	62,282	–	9,005	–	9,005
Hospitality & Leisure								
Hotels	28,221	–	–	28,221	27,776	–	(5,800)	21,976
Thredbo Alpine Resort	15,168	–	–	15,168	15,046	–	–	15,046
Leisure and Attractions	2,842	–	–	2,842	2,424	–	–	2,424
Entertainment Technology								
Technology	892	–	–	892	1,780	–	–	1,780
Property and Other Investments								
Available-for-sale investments	446	–	–	446	428	–	–	428
Property	5,060	–	7,851	12,911	4,135	–	12,942	17,077
Unallocated revenues and expenses	(14,952)	–	–	(14,952)	(13,431)	–	–	(13,431)
	102,136	1,964	68,169	172,269	121,997	9,005	9,189	140,191
Finance revenue	4,393	–	–	4,393	858	–	–	858
Finance costs	(4,224)	–	–	(4,224)	(4,605)	–	–	(4,605)
	102,305	1,964	68,169	172,438	118,250	9,005	9,189	136,444
Income tax expense ^	(30,252)	–	(2,355)	(32,607)	(35,705)	–	(1,967)	(37,672)
Net profit	72,053	1,964	65,814	139,831	82,545	9,005	7,222	98,772

* Normalised result is profit/(loss) before individually significant items, discontinued operations, non-controlling interest and income tax.
^ There was no income tax applicable to discontinued operations.

An analysis of the last five years is outlined below:

	2011	2010	2009	2008	2007
Total revenue and other income ($'000)	784,949	812,840	712,311	619,028	628,905
Net profit ^ ($'000)	139,831	98,772	69,483	99,369	82,195
Basic earnings per share (cents)	87.7	66.4	48.2	77.3	64.6
Dividends declared * ($'000)	65,518	58,522	41,727	38,738	35,854
Dividends per share (cents)	37	37	32	30	28
Special dividend per share (cents)	4	–	–	–	–

^ Net profit after individually significant items, net finance revenue/costs, non-controlling interest and income tax.
* Includes the interim dividend paid and the final and special dividends declared in relation to the financial year ended 30 June 2011.

Overview of the Group (continued) Individually significant items included the following:	**2011** **$'000**	**2010** **$'000**
Profit on sale of interest in United Arab Emirates cinema exhibition operations – MAF Greater Union LLC	60,318	–
Development gain on valuation and reclassification to an investment property of the redeveloped Canberra Civic property	2,251	10,163
Profit on the sale of developed residential land lots from the Bass Hill Drive-in development land bank	5,600	8,304
Reversal of prior years' impairment write-downs of plant and equipment at certain cinema sites in Germany	–	986
Impairment write-downs of freehold land and buildings	–	(5,800)
Impairment write-downs of plant and equipment arising from the planned redevelopment of the Gowings and State Theatre office buildings in Sydney	–	(5,525)
Provision for onerous contract relating to the lease of a closed cinema site in Germany	–	(2,201)
Share of reversal of prior years' impairment write-downs of plant and equipment in a jointly controlled entity	–	3,262
Total individually significant items before income tax expense	68,169	9,189

Investments
The Group acquired property, plant and equipment totalling $83,622,000 during the year. The acquisitions were primarily attributable to the purchase of Rydges Albury, the outstanding 75% share in Rydges Rotorua, general routine and redevelopment capital expenditure, the expansion of the existing cinema circuits, refurbishment requirements for the cinemas, hotels and resorts and the infrastructure and operational requirements for the Thredbo Alpine Resort. Acquisitions exclude capital expenditure incurred through partnership activities.

Capital structure
Cash and term deposits at 30 June 2011 totalled $115,581,000 and total debt outstanding was $47,438,000.

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

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. The Group currently hedges interest bearing debt in Australian dollars and New Zealand dollars with cover at 30 June 2011 extending to March 2012 in Australian dollars and to September 2011 in New Zealand dollars. At 30 June 2011, due to the low level of Group debt, the Group had only 17% (2010: 20%) of debt hedged.

Liquidity and funding
- The Group's secured bank debt facilities comprise the following:
- A$160,000,000 revolving multi-currency loan facility;
- A$70,000,000 cash advance facility;
- A$38,750,000 credit support facility (for the issue of letters of credit and bank guarantees);and
- a total of A$5,050,000 in overdraft limits to support its transactional banking facilities.

The above facilities mature on 10 July 2012. Refinancing of bank facilities will be undertaken prior to 30 June 2012. These current facilities are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages. Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 0.45% and 0.90% per annum. At 30 June 2011, the Group had drawn $46,321,000 (2010: $40,624,000) under the debt facilities, of which 17% (2010: 20%) was subject to interest rate swaps used for hedging.

In addition to the above facilities, wholly owned subsidiaries in Germany have a working capital facility totalling €9,000,000 (A$12,154,000), secured by a letter of credit and bank guarantees drawn under the credit support facility in Australia. Debt drawn under this facility bears interest at the relevant inter-bank benchmark reference rate plus a margin of 0.80% per annum. This facility is subject to annual review. At 30 June 2011, the Group had no debt drawn under this facility (2010: $nil).

During the year to 30 June 2011, a wholly owned subsidiary in Germany had a property finance lease which was fully paid by period end (2010: A$3,934,000 outstanding). This lease bore interest at the relevant inter-bank benchmark reference rate plus a margin of 1.75% per annum.

Cash flows from operations
Operating net cash inflows increased to $139,727,000 from $136,586,000 in the prior year to 30 June 2010. Lower trading cash flows, particularly in the Cinema Exhibition Australia and Germany segments, were more than offset by preliminary refunds of disputed value added tax in Germany, the receipt of proceeds from Bass Hill land lot sales recognised in the prior year and other positive working capital movements.

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

REVIEW OF OPERATIONS BY DIVISION
ENTERTAINMENT
Cinema Exhibition – Australia

As at 30 June	2011	2010	Movement
Cinema locations *	55	55	–
Cinema screens *	479	473	6

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

The normalised profit before interest and income tax expense was $46,553,000, a decrease of $6,426,000 on the prior year result.

The Australian cinema circuit experienced weaker trading conditions, recording a 4.8% decline in Box Office. This decline was primarily due to disappointing December/January trading which was down on the prior comparable period by 17.8%. The prior year included the record breaking performance of *Avatar*.

The full year result included standout results from *Harry Potter and the Deathly Hollows – Part 1* and *Inception*, with both achieving in excess of $35 million at the Australian Box Office. Other major contributors included *The Twilight Saga: Eclipse, Toy Story 3, The King's Speech* and *The Hangover Part II*, all achieving in excess of $30 million.

The Group continued to expand its digital footprint and capitalise on the increasing number of titles released in 3D. Over the year, 167 additional digital projectors were installed across the circuit, taking the total number of digital projectors to 282, representing 59% of the total circuit and the largest deployment of any exhibitor within Australia.

Merchandising revenue continued to grow with a 6.1% improvement in revenue per admission over the prior year. This growth was driven by the continued rollout of the successful self serve Scoop Alley candy bar concept and the ongoing success of the Gold Class cinema experience.

The Group continued to expand its successful big screen, big seat Vmax concept, with nine traditional auditoriums being converted to the Vmax concept. This takes the total number of Vmax screens on the circuit to 23. In addition, the Group opened a new eight-screen cinema at the Top Ryde City shopping complex in north-western Sydney. The Top Ryde site is an Event Cinema and includes one Vmax and seven traditional auditoriums.

On 28 July 2010, the Group completed the purchase of the Moonlight Cinema business for $1,750,000. During the year, the Moonlight Cinema business operated in five locations: Sydney, Melbourne, Adelaide, Brisbane, and Perth. An additional seasonal Moonlight Cinema site opened at Port Douglas in July 2011.

In January 2011, the Group closed the two-screen Mosman cinema complex located in Sydney. The Group owns the freehold land and building and opportunities relating to the development of the site are currently being reviewed.

The contribution from the Group's 50% interest in the Village managed circuit in Victoria decreased by 11.8% over the prior comparable year. The decline was similarly due to the soft film line-up over the December/January period.

Cinema Exhibition – New Zealand

As at 30 June	2011	2010	Movement
Cinema locations *	18	19	(1)
Cinema screens *	129	132	(3)

* Managed and joint venture cinema sites.

The normalised profit before interest and income tax expense was $2,279,000. The New Zealand cinema business was acquired in February 2010 and the prior year reflects only the result from the date of acquisition.

The total Box Office for all exhibitors in New Zealand was $158 million and was 11.0% below the Box Office for the previous full year comparable period. The top five grossing films were: *Inception, Harry Potter and the Deathly Hollows – Part 1, Toy Story 3*, *The Twilight Saga: Eclipse* and *The King's Speech.* The prior year included the record breaking performance of *Avatar* and the very successful local production, *Boy*.

Merchandising spend per head grew by 3.8% due predominately to the refurbishment of candy bars at two flagship locations and the continued focus on value-priced combos and promotions.

Cinema Exhibition – New Zealand (continued)
Other revenue increased due to various initiatives, including the introduction of an online booking fee, new sponsorship arrangements, and additional advertising activities. It is expected that revenues from these initiatives will increase further as they continue to gather momentum.

Capital expenditure projects during the year included the refurbishment of two flagship cinema sites, Queen Street and St Lukes, and an additional 41 digital 3D capable projectors and screens. The additional screens increase the coverage to more than 40% of the total circuit.

The Fijian joint venture cinema business contributed an equity accounted result of $677,000.

Cinema Exhibition – Germany

As at 30 June	2011	2010	Movement
Cinema locations *	60	62	(2)
Cinema screens *	455	464	(9)

* Managed and joint venture cinema sites.

The normalised profit before interest and income tax expense was $15,627,000, a decrease of $14,539,000 on the prior year result.

After a poor first half of the year, which suffered from a lack of compelling film product, extremely poor weather conditions during December 2010 and the negative impact of the Football World Cup in July 2010, the circuit experienced a strong finish to the financial year. Trading over the last four months of the financial year showed greatly improved results over the previous financial year, with June 2011 showing a significantly better trading result due to the impact of the Football World Cup in the prior year.

Box Office decreased 10.5% over what was a very strong prior year. Admissions experienced a decline of 14.4%, with average admission price showing an increase of 4.7%. This increase in average admission price was driven partly by the additional surcharge on 3D admissions. The German circuit currently has 3D capability for 96 screens at 49 sites.

The top performing films at the German Box Office for the financial year were *Harry Potter and the Deathly Hollows – Part 1, Pirates of the Caribbean: On Stranger Tides, Tangled, The Hangover Part II*, *The Twilight Saga: Eclipse* and the German productions *Kokowääh* and *Konferenz der Tiere.*

German films contributed 10.6% of the Box Office compared with 18% in the prior year. Live broadcasts of The Metropolitan Opera again proved popular, with broadcasts expanding from seven to 20 sites. Also during the year, the Event brand was introduced and replaced the IMAX brand at the Sony Centre site in Berlin.

The strengthening of the Australian dollar against the Euro continued to have a negative impact on the result when translated to Australian dollars. The average month end A$/Euro exchange rate for the financial year to 30 June 2011 was 72.7 cents against 63.9 cents for the prior financial year.

As noted in the Group's financial report in Note 32 – Contingent Assets and Liabilities, German controlled and joint venture entities have had a long running dispute with local tax authorities over the level of value added tax paid on a number of food products sold. In March 2011, the European Court of Justice ruled in favour of the arguments presented by a competitor on a similar issue. A favourable outcome to this dispute was considered probable at 30 June 2011; however, not virtually certain due to an outstanding German court decision. A contingent asset exists at 30 June 2011 amounting to $20,483,000. This amount relates to disputed value added tax, totalling $18,921,000, provided for or paid by German controlled and joint venture entities plus potential interest receivable thereon of $1,562,000. Subsequent to balance date, the German Federal Fiscal Court delivered its decision on the competitor's case, which was consistent with the earlier decision by the European Court of Justice. Barring any unforeseen circumstances, it is expected that this contingent asset will be recognised as income in the financial year to 30 June 2012. Refer also Note 41 – Events Subsequent to Reporting Date.

Cinema Exhibition – United Arab Emirates
The Groups' 49% interest in the Middle East cinema business was sold during the period to joint venture partner, the Majid Al Futtaim Group, for AED283 million (A$78.6 million). The earnings received for the period prior to the sale were $1,964,000 and the profit on sale was $60,318,000.

HOSPITALITY AND LEISURE
Rydges Hotels and Resorts

As at 30 June	2011	2010	Movement
Locations *	45	41	4
Rooms *	8,189	7,528	661

* Owned and managed hotels.

The normalised profit before interest and income tax expense was $28,221,000, an increase of $445,000 on the prior year result.

Occupancy in the Group's owned hotels was 75.1%, with an increase in average room rate of 3.2%. The majority of the Group's city-based hotels produced strong profit growth, driven primarily by a resurgent corporate travel market. This was particularly the case in Sydney, Brisbane and Perth.

Rydges Hotels and Resorts (continued)
Growth from the corporate segment was partially offset by softening demand from the leisure market, which has been impacted by weaker consumer confidence. Softer leisure demand had the greatest impact in the Queensland resort destinations, which were also buffeted by the after effects of Cyclone Yasi and the Queensland floods during the peak January holiday season.

Similar trading conditions also prevailed in New Zealand, with pleasing results from the Group's city-based hotels, offset by some softening from inbound and domestic leisure travel.

The Group responded to these market conditions by maximising rate growth opportunities arising from strong corporate demand, whilst driving volume from the key leisure segments via high value promotional offers.

Costs associated with the launch of the QT brand on the Gold Coast also had a one off impact on the result.

The Group's focus on driving an increased volume of business online through www.rydges.com and the expansion of the *Rydges PriorityGuest* program continues. Almost 300,000 room nights were booked via these channels, with an average rate increase of 7.6%. A mobile booking platform, Pocket Hotel, was also launched during the year.

Four significant management contracts were secured during the year. Rydges Wellington (formally Holiday Inn) and the Reef House Resort & Spa Palm Cove (formally Sebel) joined the Group in March, followed by two properties located opposite Darwin Airport in June. In addition, the Group acquired Rydges Albury in March 2011 and moved to 100% ownership of Rydges Rotorua, effective from December 2010.

The earthquake that hit Christchurch in February 2011 resulted in the closure of the Group's leased hotel in that city. The hotel had appropriate insurance in place and it is not expected to reopen before mid 2012.

Thredbo Alpine Resort
The normalised profit before interest and income tax expense was $15,168,000, an increase of $122,000 on the prior year result.

Thredbo experienced solid trading despite inconsistent natural snow conditions during July and early August 2010. From mid August 2010, the region experienced near record snowfalls, resulting in ideal snow and weather conditions from September until the end of the 2010 ski season.

Thredbo achieved some 395,000 skier days during the period, an increase of 7.2% above the prior year and the best result recorded in the last six years.

Thredbo continues to maintain a focus on summer activities and events. These include the Snowy Ride and Blues and Jazz Festivals which have assisted in drawing visitors to the Alpine area and building Thredbo as a year-round destination.

The final month of the year, and the beginning of the 2012 season, showed encouraging signs due to a combination of good natural and man-made snow. These conditions supported the best June result in the last five seasons. The near record snowfalls continued into July; however, the NSW resorts also experienced extreme wind and blizzard events during the peak NSW school holiday period, partially offsetting some of the gain which would normally be expected from the encouraging early snowfalls.

Leisure and Attractions
The normalised profit before interest and income tax expense was $2,842,000, an increase of $418,000 on the prior year result.

The Featherdale result increased by 4% over the prior year, and was a commendable result given the continued weakness in the inbound tourist market. An increased number of performances held at the State Theatre resulted in significantly improved trading conditions compared to the prior year. In addition, the result benefited from an increased focus on payroll costs and house expenses during the year.

ENTERTAINMENT TECHNOLOGY
The normalised profit before interest and income tax expense was $892,000, a decrease of $888,000 on the prior year result.

The result was impacted by a reduced profit from the Filmlab business, with the exhibition industry moving from 35mm film to digital projection. In addition, there were costs incurred with the establishment of a digital production studio.

STRATEGIC INVESTMENTS
Property
The normalised profit before interest and income tax expense was $5,060,000, an increase of $925,000 on the prior year result.

Contributing to the improved result was the first full year of rental income from the commercial office development at the former cinema site in Canberra Civic. The result also includes a fair value increment of $438,000 on the revaluation of the Group's investment properties compared to a fair value increment of $275,000 in the prior year.

Sales at the residential subdivision of the Bass Hill Drive-in site are pleasing, with a further 29 lots sold and eight unconditional contracts exchanged during the year. A profit of $5,600,000 has been booked as an individually significant item in relation to these sales. Of the total of 102 lots, only 13 remain unsold or not subject to unconditional contracts as at 30 June 2011.

STRATEGIC PLANS BY DIVISION

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

ENTERTAINMENT

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

Cinema Exhibition – domestic and international

Enhancing the customer experience

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

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

Maximising returns from existing locations

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

Rationalising under-performing cinema sites

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

Industry developments

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

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

HOSPITALITY AND LEISURE

Rydges Hotels and Resorts

Enhancing the guest experience

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

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

QT Hotels and Resorts

- The Group has recognised a market opportunity in the 4.5 star design hotel segment. This segment presents far greater opportunities for the level of average room rate with the level of operating costs not significantly greater than the 4.0 star segment of the Rydges brand.
- The segment requires an innovative approach to the operation of the hotel restaurant bar and again these operate at a higher margin level.
- The Group will own and operate an initial core of 3 – 4 hotels and then seek further expansion largely through managed opportunities.

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

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

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

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

Maximising returns from existing facility
The Group anticipates that the Resort will achieve growth through shoulder periods, summer revenue and cost improvements, increased visitation and increased occupancy rates.

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

Edge Digital Technology and Filmlab
Maintaining pace with technological advances
The Group will continue to build knowledge in relation to evolving cinema systems, and in particular digital projection systems.

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

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

STRATEGIC INVESTMENTS
Property
Maximising returns from existing investment
The Group has a number of property assets that it intends to redevelop over time. The timing of these redevelopments is dependent on the type of use and stage of the property cycle.

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

Type	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit
Declared and paid during the year				
Final 2010 dividend	23	36,615	16 September 2010	30%
Interim 2011 dividend	14	22,372	24 March 2011	30%
		58,987		
Declared after the end of the year				
Final 2011 dividend	23	36,754	22 September 2011	30%
Special dividend	4	6,392	22 September 2011	30%

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

REMUNERATION REPORT
The Remuneration Report, which forms part of the Directors' Report, is set out on pages 26 to 36 and has been audited as required by section 308(3C) of the Corporations Act 2001.

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2011, the German Federal Fiscal Court issued a ruling in favour of a competitor on a matter that is similar in nature to various disputes with Group controlled and joint venture entities and the German tax authorities. Although this Court ruling is only binding for the parties to the case, barring any unforeseen circumstances, it is expected that Group controlled and joint venture entities will also be able to obtain favourable outcomes to their disputes and the related contingent asset at 30 June 2011 totalling $20,483,000 will be recognised as income in the financial year to 30 June 2012. Note 32 – Contingent Assets and Liabilities provides additional information in relation to this matter.

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

LIKELY DEVELOPMENTS

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

DIRECTORS' INTERESTS

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

Director	Ordinary shares held directly	Ordinary shares held by companies in which a director has a beneficial interest (a)	Options held directly	Performance shares held directly
AG Rydge	3,269,915	68,548,033	–	–
AJ Clark	30,000	35,000	–	–
KG Chapman	–	54,000	–	–
PR Coates	–	28,000	–	–
VA Davies	–	–	–	–
RM Graham (b)	–	–	–	–
RG Newton	–	66,000	–	–
DC Seargeant	853,490	16,000	–	690,000

(a) Relevant interest under the Corporations Act 2001 differs from the disclosure required under Australian Accounting Standards as presented in Note 38 to the financial report.
(b) RM Graham resigned on 20 April 2011. At the date of resignation, Mr Graham had a beneficial interest in 12,752 ordinary shares.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDIT FIRM

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

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

SHARE OPTIONS

There were no options issued during the period. There are no unissued ordinary shares of the Company under option at 30 June 2011.

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

AUDITOR INDEPENDENCE

The lead auditor's independence declaration is set out on page 37 and forms part of the Directors' Report for the year ended 30 June 2011.

NON-AUDIT SERVICES PROVIDED BY KPMG
During the year, KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

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

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

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

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

	2011 $	2010 $
Audit services:		
Auditors of the Group – KPMG Australia		
Audit and review of financial reports	871,580	886,407
Other assurance services	50,836	128,403
Overseas KPMG firms		
Audit and review of financial reports	350,338	398,324
Other assurance services	7,527	8,018
	1,280,281	1,421,152
Other services:		
Auditors of the Group – KPMG Australia		
Income tax compliance	128,650	152,721
Indirect tax compliance advice	69,528	39,270
	198,178	191,991
Overseas KPMG firms		
Income tax compliance	104,487	110,366
Indirect tax compliance advice	–	11,170
Other taxation services	116,280	100,001
	220,767	221,537
	418,945	413,528

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

Signed in accordance with a resolution of the directors:

AG Rydge
Director

DC Seargeant
Director

Dated at Sydney this 25th day of August 2011.

REMUNERATION REPORT – AUDITED
This report outlines the remuneration arrangements in place for directors and executives of the Group.

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

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

The Group also has the following share and option plans:
- Tax Exempt Share Plan;
- Management Share Option Plan (suspended to new issues and no grants have been made under this plan since 2004); and
- Employee Share Plan (closed to new members and no offers have been made under the plan since 1998).

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

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

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

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 22 October 2010 when shareholders approved an aggregate remuneration of $1,500,000 per year. Non-executive directors do not receive any performance related remuneration nor are they issued shares, options or performance shares.

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

Each director receives a fee for being a director of the Company. An additional fee is also paid for being a member of the Audit Committee and the Nomination and Remuneration Committee. The payment of an additional fee recognises the additional time commitment required by directors who serve on those Committees. Directors' base fees for the financial year ending 30 June 2012 are $108,000 per annum (Chairman: $270,000 per annum, inclusive of Committee fees). Directors' fees cover all main Board activities. Non-executive director members who sit on both the Audit Committee and the Nomination and Remuneration Committee receive an additional payment of $18,000 per annum (Chairman of both the Audit Committee and the Nomination and Remuneration Committee: $32,000 per annum).

The remuneration of non-executive directors for the year ended 30 June 2011 is detailed on page 32 in this report.

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

During the year, the Company paid $165,000 to RM Graham under the plan. Mr Graham resigned as a director on 20 April 2011. There were no other benefits paid under the plan during the year ended 30 June 2011.

Structure (continued)
The amounts accrued in respect of the Directors' Retirement Plan are as follows:

Directors	2011 $	2010 $
AJ Clark	165,000	165,000
RM Graham	–	165,000
Total	165,000	330,000

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

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

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

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

It is the Nomination and Remuneration Committee's policy that employment contracts are entered into with the Managing Director and other executives. Details of these employment contracts are provided on page 30.

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

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

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

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

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

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

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

Structure

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

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

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

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

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

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

		Allocated between:				
Executives	**Maximum STI calculated on fixed annual remuneration** (a)	**Group earnings**	**divisional earnings**	**special projects**	**quantitative KPIs**	**qualitative KPIs**
DC Seargeant	150.0%	60.0%	–	35. 0%	–	55.0%
NC Arundel	50.0%	16.7%	16.7%	–	16.6%	–
PC Bourke	25.0%	12.5%	–	2.5%	2.5%	7.5%
GC Dean	40.0%	16.7%	–	2.9%	14.6%	5.8%
MR Duff	50.0%	16.7%	–	11.1%	9.7%	12.5%
HR Eberstaller	50.0%	16.7%	16.7%	–	–	16.6%
JM Hastings	50.0%	–	25.0%	–	25.0%	–
PW Horton	35.0%	17.0%	–	–	9.3%	8.7%
KJ Kobishop (b)	–	–	–	–	–	–

(a) Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements.
(b) KJ Kobishop ceased employment with the Group on 31 August 2010. There are no future STI payments available to Mr Kobishop.

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

Variable remuneration – long term incentive ("LTI")

Objective

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

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

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

Structure

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

Structure (continued)

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

The performance hurdles for the awards of performance shares to executives in the financial year ended 30 June 2011 are based on Amalgamated Holdings Limited's EPS and TSR growth over the Performance Period of the three years from 30 June 2010 (being the "Base Year") to 30 June 2013.

The performance hurdles are as follows:

EPS hurdle

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

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

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

TSR hurdle

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

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

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

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

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

Options

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

The details of the value of options, options exercised and options lapsed during the prior financial year are outlined on page 36. There are no unissued ordinary shares of the Group under option at 30 June 2011 (2010: nil).

Performance indices

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

	2011 $	2010 $	2009 $	2008 $	2007 $
Net profit before individually significant items, income tax and non-controlling interest	104,269,000	127,255,000	94,144,000	77,738,000	81,914,000
Share price (year end)	5.80	5.70	4.30	4.87	6.45

Employment contracts
It is the Group's policy that employment contracts for the Managing Director and each senior executive are unlimited in term.

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

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

<table>
<tr><th>Executives</th><th>Termination by executive</th><th>Termination by Group</th><th>Expiry date of contract</th></tr>
<tr><td>DC Seargeant</td><td>The notice period is three months.</td><td rowspan="3">The notice period for the Group is one month. On termination, the Group may make a payment in lieu of notice, equal to the notice period.

The Group retains the right to terminate the contract immediately under certain conditions. On termination, the executive is entitled to accrued annual and long service benefits. There are no other termination payments.

Payment of any LTI incentive (or pro-rata thereof) is at the discretion of the Board.</td><td rowspan="3">Not applicable, rolling contracts.</td></tr>
<tr><td>NC Arundel
PC Bourke
GC Dean
MR Duff
HR Eberstaller
PW Horton</td><td>The notice period is four weeks.</td></tr>
<tr><td>JM Hastings</td><td>The notice period is one month.</td></tr>
<tr><td>KJ Kobishop (a)</td><td>The notice period is the lesser of:
• 12 months; or
• the balance of the term of the employment contract.</td><td>The notice period for the Group is the lesser of:
• 12 months; or
• the balance of the term of the employment contract.

The Group retains the right to terminate the contract immediately under certain conditions. On termination, the executive is entitled to accrued annual and reasonable relocation associated costs. There are no other termination payments.

Payment of any LTI incentive (or pro-rata thereof) is at the discretion of the Board.</td><td>14 September 2011</td></tr>
</table>

(a) KJ Kobishop ceased employment with the Group on 31 August 2010.

Key management personnel

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

Name	Position	Period of responsibility	Employing company
Non-executive directors			
Alan Rydge	Chairman and non-executive director	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Anthony Clark	Independent non-executive director	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Kenneth Chapman	Independent non-executive director	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Peter Coates	Independent non-executive director	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Robert Graham	Independent non-executive director	1 July 2010 to 20 April 2011	Amalgamated Holdings Limited
Richard Newton	Independent non-executive director	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Valerie Davies	Independent non-executive director	20 April 2011 to 30 June 2011	Amalgamated Holdings Limited
Executive director			
David Seargeant	Managing Director and Chief Executive Officer	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Executives			
Norman Arundel	Managing Director Rydges Hotels & Resorts	1 July 2010 to 30 June 2011	Rydges Hotels Limited
Peter Bourke	Director of Information Technology	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Gregory Dean	Company Secretary	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Mathew Duff	Director Commercial	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Hans Eberstaller	Managing Director AHL Strategic Investments	1 July 2010 to 30 June 2011	The Greater Union Organisation Pty Limited
Jane Hastings	General Manager Entertainment – Australia and New Zealand	16 May 2011 to 30 June 2011	The Greater Union Organisation Pty Limited
Peter Horton	Director Finance & Accounting	1 July 2010 to 30 June 2011	Amalgamated Holdings Limited
Kevin Kobishop	Corporate Director of Food and Beverage	1 July 2010 to 31 August 2010	Amalgamated Holdings Limited

Directors' and executives' remuneration

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

		Short term					Post-employment	Share-based	Other long term	Other		
		Fixed annual remuneration and fees $	STI bonuses $	Non-cash benefits $	Accrued annual leave $	Insurance premiums [(a)] $	Superannuation contributions $	LTI equity [(b)] $	Accrued long service leave $	Retirement benefits [(c)] $	Total $	Proportion of remuneration performance related
DIRECTORS												
Non-executive												
AG Rydge	2011	239,801	–	13,231	–	–	15,199	–	–	–	268,231	–
	2010	230,539	–	–	–	–	14,461	–	–	–	245,000	–
AJ Clark	2011	133,000	–	4,577	–	–	–	–	–	–	137,577	–
	2010	128,000	–	–	–	–	–	–	–	–	128,000	–
KG Chapman [(d)]	2011	93,578	–	–	–	–	8,422	–	–	–	102,000	–
	2010	32,592	–	–	–	–	2,933	–	–	–	35,525	–
PR Coates [(e)]	2011	107,034	–	–	–	–	9,633	–	–	–	116,667	–
	2010	87,627	–	–	–	–	7,887	–	–	–	95,514	–
VA Davies [(f)]	2011	18,567	–	–	–	–	1,671	–	–	–	20,238	–
	2010	–	–	–	–	–	–	–	–	–	–	–
TC Ford [(g)]	2011	–	–	–	–	–	–	–	–	–	–	–
	2010	32,667	–	–	–	–	–	–	–	–	32,667	–
RM Graham [(h)]	2011	98,333	–	6,664	–	–	–	–	–	–	104,997	–
	2010	113,000	–	–	–	–	–	–	–	–	113,000	–
RG Newton	2011	93,578	–	–	–	–	8,422	–	–	–	102,000	–
	2010	89,908	–	–	–	–	8,092	–	–	–	98,000	–
Executive												
DC Seargeant	2011	1,809,801	1,443,750	–	22,397	6,400	15,199	964,461	65,225	–	4,327,233	55.7%
	2010	1,735,539	2,030,000	–	95,621	10,461	14,461	473,726	67,835	–	4,427,643	56.5%

Directors' and executives' remuneration (continued)

		Short term					Post-employment	Share-based	Other long term	Other		
		Fixed annual remuneration and fees $	STI bonuses $	Non-cash benefits $	Accrued annual leave $	Insurance premiums (a) $	Superannuation contributions $	LTI equity (b) $	Accrued long service leave $	Termination payments $	Total $	Proportion of remuneration performance related
EXECUTIVES – THE COMPANY												
PC Bourke (i)	2011	225,539	–	–	6,544	–	15,199	6,083	–	–	253,365	2.4%
	2010	46,133	–	–	4,089	–	3,179	–	–	–	53,401	–%
GC Dean	2011	259,801	92,050	4,577	(3,035)	2,216	15,199	64,884	6,925	–	442,617	35.5%
	2010	248,539	97,741	–	2,788	2,088	14,461	44,980	7,028	–	417,625	34.2%
MR Duff	2011	399,801	129,025	4,577	10,154	2,216	15,199	99,452	10,824	–	671,248	34.0%
	2010	382,539	153,837	–	7,141	2,088	14,461	71,264	11,047	–	642,377	35.0%
PW Horton	2011	346,801	100,975	–	14,664	2,216	15,199	91,075	8,739	–	579,669	33.1%
	2010	335,539	122,500	–	(17,917)	2,088	14,461	69,321	8,529	–	534,521	35.9%
KJ Kobishop (j)	2011	48,783	90,834	20,590	3,227	887	–	(212,033)	–	242,437	194,725	–%
	2010	350,705	69,999	32,276	(13,189)	835	–	156,145	–	–	596,771	37.9%
EXECUTIVES – THE GROUP												
NC Arundel	2011	424,801	147,042	705	5,078	887	15,199	103,629	9,560	–	706,901	35.5%
	2010	405,539	87,763	–	(353)	835	14,461	69,315	–	–	577,560	27.2%
HR Eberstaller	2011	166,801	87,000	–	19,976	1,108	15,199	27,702	5,522	–	323,308	35.5%
	2010	162,028	265,500	–	9,218	1,044	11,183	14,585	3,123	–	466,681	60.0%
JM Hastings (k)	2011	59,217	–	–	12,804	–	1,957	33,154	–	–	107,132	30.9%
	2010	–	–	–	–	–	–	–	–	–	–	–

Directors' and executives' remuneration (continued)

(a) Amounts disclosed above for remuneration of directors and named executives exclude insurance premiums paid by the Group in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out within this Remuneration Report. The amounts disclosed in the table above relate to premiums paid by the Group for group salary continuance insurance.

(b) Amounts disclosed above for remuneration relating to performance shares have been determined in accordance with the requirements of AASB 2 Share-based Payment. AASB 2 requires the measurement of the fair value of performance shares at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on the performance shares using a Monte Carlo simulation model. Details of performance shares on issue are set out within the Remuneration Report and further details on the terms and conditions of these performance shares is set out in Note 30 to the financial report.

(c) There were no amounts accrued during the year relating to the Directors' Retirement Plan. During the year, an amount of $165,000, which had been accrued in prior years, was paid to RM Graham on his resignation from the Board. In the previous financial year, an amount of $165,000 was paid to TC Ford on his resignation from the Board. Further information regarding the Directors' Retirement Plan has been included within the Remuneration Report.

(d) KG Chapman was appointed on 18 February 2010.

(e) PR Coates was appointed on 10 July 2009.

(f) VA Davies was appointed on 20 April 2011.

(g) TC Ford resigned on 23 October 2009.

(h) RM Graham resigned on 20 April 2011.

(i) PC Bourke commenced employment with the Group on 19 April 2010.

(j) KJ Kobishop ceased employment with the Group on 31 August 2010. Mr Kobishop is a citizen of the United States of America and, whilst employed by the Group, was a 457 visa holder. Mr Kobishop's employment arrangements satisfied certain exemption conditions as set out by the Australian Taxation Office and, as a result, the Group did not have any superannuation obligations in relation his employment.

(k) JM Hastings was appointed to the position of General Manager Entertainment – Australia and New Zealand on 16 May 2011. Prior to the appointment to her current position, Mrs Hastings held the position of General Manager Entertainment – New Zealand and was based in Auckland, New Zealand. The remuneration details above relate only to her current key management position.

Analysis of STI bonuses included in remuneration

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

	Included in remuneration (a) $	Awarded in year %	Not awarded in year (b) %
Managing Director			
DC Seargeant (c)	1,443,750	88%	12%
Executives			
NC Arundel	147,042	70%	30%
PC Bourke (d)	–	–%	–%
GC Dean	92,050	88%	12%
MR Duff	129,025	81%	19%
HR Eberstaller	87,000	100%	–%
JM Hastings (e)	–	–%	–%
PW Horton	100,975	82%	18%
KJ Kobishop	90,834	42%	58%

(a) Amounts included in remuneration for the year represent the amounts that were awarded in the year based on achievement of personal goals and satisfaction of specified performance criteria for the 30 June 2010 year. No amounts vest in future years in respect of the STI bonus schemes for the 2010 year.

(b) The amounts not awarded are due to the performance criteria not being met in relation to the assessment period.

(c) The total STI bonus awarded to DC Seargeant for the 30 June 2010 year was $2,318,750. Various components of the STI bonus totalling $875,000 were paid during the previous financial year in recognition of the early achievement of certain 2010 bonus hurdles.

(d) PC Bourke commenced employment with the Group on 19 April 2010.

(e) JM Hastings was appointed to the position of General Manager Entertainment – Australia and New Zealand on 16 May 2011. During the year, Mrs Hastings received no STI bonus payments in relation to her current position.

Analysis of LTI performance shares granted as remuneration

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

	Number	Grant date	Vested during the year %	Forfeited during the year [a] %	Year in which the grant vests	Fair value Performance share – EPS $	Fair value Performance share – TSR $
Managing Director							
DC Seargeant	210,000	23 Feb 2011	–	–	30 Jun 2014	5.98	3.94
	240,000	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	140,000	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	100,000	18 Feb 2008	100%	–	30 Jun 2011	6.02	4.31
Executives							
NC Arundel	23,547	23 Feb 2011	–	–	30 Jun 2014	5.98	3.94
	18,987	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	23,491	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	14,739	18 Feb 2008	100%	–	30 Jun 2011	6.02	4.31
PC Bourke [b]	9,174	23 Feb 2011	–	–	30 Jun 2014	5.98	3.94
GC Dean	14,717	23 Feb 2011	–	–	30 Jun 2014	5.98	3.94
	11,889	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	14,791	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	8,996	18 Feb 2008	100%	–	30 Jun 2011	6.02	4.31
MR Duff	22,209	23 Feb 2011	–	–	30 Jun 2014	5.98	3.94
	17,947	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	23,027	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	14,433	18 Feb 2008	100%	–	30 Jun 2011	6.02	4.31
HR Eberstaller	9,740	23 Feb 2011	–	–	30 Jun 2014	5.98	3.94
	7,866	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	5,972	18 Feb 2008	100%	–	30 Jun 2011	6.02	4.31
JM Hastings [c]	50,000	16 May 2011	–	–	30 Jun 2014	5.98	3.94
PW Horton	19,373	23 Feb 2011	–	–	30 Jun 2014	5.98	3.94
	15,822	28 Jun 2010	–	–	30 Jun 2013	5.78	4.72
	22,099	23 Feb 2009	–	–	30 Jun 2012	4.34	3.80
	14,203	18 Feb 2008	100%	–	30 Jun 2011	6.02	4.31
KJ Kobishop [d]	100,000	23 Feb 2009	–	100%	30 Jun 2012	4.34	3.80

(a) The % forfeited in the year represents the reduction from the maximum number of performance shares available to vest due to the performance criteria not being achieved.

(b) PC Bourke commenced employment with the Group on 19 April 2010. No performance shares were granted to Mr Bourke in previous financial years.

(c) JM Hastings was appointed to the position of General Manager Entertainment – Australia and New Zealand on 16 May 2011. No performance shares were granted to Mrs Hastings in previous financial years.

(d) KJ Kobishop ceased employment with the Group on 31 August 2010 and the performance shares were forfeited at that date.

Analysis of movements in performance shares

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

	Granted during the year (a) $	Exercised during the year (b) $	Forfeited during the year $	Performance shares exercised Number	Amount paid per share $
Managing Director					
DC Seargeant	1,041,600	637,000	–	100,000	Nil
Executives					
NC Arundel	116,795	–	–	–	–
PC Bourke	45,503	–	–	–	–
GC Dean	72,998	105,571	–	16,333	Nil
MR Duff	110,158	–	–	–	–
HR Eberstaller	48,311	–	–	–	–
JM Hastings	248,000	–	–	–	–
PW Horton	96,091	–	–	–	–
KJ Kobishop (c)	–	–	407,000	–	–

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

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

(c) KJ Kobishop ceased employment with the Group on 31 August 2010 and the performance shares were forfeited at that date.

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

Analysis of LTI options granted as remuneration

No options granted as remuneration to the Managing Director and named executives vested during the year. All outstanding options were exercised or lapsed in the previous financial year. There are no options yet to vest as at 30 June 2011 (2010: nil).

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

End of Directors' Report: Remuneration Report

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the directors of Amalgamated Holdings Limited:

I declare that as at the date of this declaration both the Firm and I are independent in accordance with professional rules and statutory requirements on auditor independence. To the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 the only matter which requires disclosure in relation to auditor independence requirements as set out in the Corporations Act 2001 or any applicable code of professional conduct is the situation described below:

On 20 April 2011, a consultant to the Firm was appointed a director of Amalgamated Holdings Limited ("AHL"). The director continued to provide consulting services to the Firm until 26 July 2011 when the consulting agreement was terminated. The director provided no services to AHL on behalf of the Firm during the consultancy.

KPMG

KPMG

David Rogers
Partner

25th August 2011

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 $'000	2010 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	50,581	45,288
Short term deposits	10	65,000	–
Trade and other receivables	11	38,445	50,476
Inventories	12	22,713	18,124
Prepayments and other sundry assets	13	5,460	6,600
Total current assets		182,199	120,488
NON-CURRENT ASSETS			
Trade and other receivables	11	310	405
Other financial assets	14	315	312
Available-for-sale financial assets	15	10,762	10,447
Investments accounted for using the equity method	16	114,475	124,284
Property, plant and equipment	17	642,792	599,082
Investment properties	18	79,350	78,875
Goodwill and other intangible assets	19	37,476	32,889
Deferred tax assets	7(c)	11,036	13,990
Other non-current assets	20	4,989	7,780
Total non-current assets		901,505	868,064
Total assets		1,083,704	988,552
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	75,928	74,037
Loans and borrowings	22	219	5,241
Current tax liabilities	7(b)	7,658	14,209
Provisions	24	15,766	16,643
Deferred revenue	1(t)	45,918	41,652
Other liabilities	25	15,477	7,658
Total current liabilities		160,966	159,440
NON-CURRENT LIABILITIES			
Loans and borrowings	22	47,219	41,381
Deferred tax liabilities	7(c)	10,412	8,002
Provisions	24	9,306	10,909
Deferred revenue	1(t)	3,926	2,937
Other non-current liabilities	25	4,862	5,697
Total non-current liabilities		75,725	68,926
Total liabilities		236,691	228,366
Net assets		847,013	760,186
EQUITY			
Share capital	26	219,126	219,126
Reserves	27	6,086	103
Retained earnings	27	621,801	540,957
Total equity		847,013	760,186

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 43 to 109.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Revenue and other income			
Revenue from sale of goods and rendering of services	3	732,506	758,861
Other revenue and income	3	52,443	53,979
		784,949	812,840
Expenses			
Occupancy expenses		(178,866)	(189,457)
Employee expenses	4(a)	(184,594)	(172,266)
Film hire and other film expenses		(152,689)	(163,263)
Purchases and other direct expenses		(83,772)	(89,937)
Other operating expenses		(47,032)	(40,641)
Depreciation and amortisation	4(a)	(36,340)	(33,647)
Advertising, commissions and marketing expenses		(20,098)	(19,770)
Impairment write-downs	4(a)	(655)	(11,325)
Finance costs	4(a)	(4,224)	(4,605)
		(708,270)	(724,911)
Equity profit			
Share of net profit/(loss) of equity accounted investees:			
Associates	36	17	(202)
Jointly controlled entities	37	33,460	39,712
		33,477	39,510
Profit before tax from continuing operations		110,156	127,439
Income tax expense	7	(32,607)	(37,672)
Profit after tax from continuing operations		77,549	89,767
Discontinued operations			
Profit after tax from discontinued operations	5	62,282	9,005
Profit for the year		139,831	98,772

	2011 Cents	2010 Cents
Earnings per share for profit attributable to equity holders of the Company		
Basic and diluted from continuing operations	48.6	60.3
Basic and diluted from discontinued operations	39.1	6.1
Basic and diluted – total	87.7	66.4

The Income Statement is to be read in conjunction with the notes to the financial statements on pages 43 to 109.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
Profit for the year	139,831	98,772
Other comprehensive income/(expense) from continuing operations		
Foreign currency translation differences for foreign operations – net of tax	(4,198)	(9,248)
Net increase in fair value of available-for-sale financial assets – net of tax	221	759
Effective portion of change in fair value of cash flow hedges – net of tax	(308)	1,170
Ineffective portion of change in fair value of cash flow hedges taken to the Income Statement – net of tax	(84)	232
Other comprehensive income/(expense) from discontinued operations		
Transferred from foreign currency translation reserve to the Income Statement on sale of interest in MAF Greater Union LLC – net of tax	9,657	–
Share of associates' foreign currency translation reserve movements – net of tax	(1,547)	(735)
Other comprehensive income/(expense) for the period – net of income tax	3,741	(7,822)
Total comprehensive income for the period attributable to equity holders of the Company	143,572	90,950

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements on pages 43 to 109.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Attributable to equity holders of the Company					
	Share capital $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2010	219,126	103	540,957	760,186	–	760,186
Profit for the period	–	–	139,831	139,831	–	139,831
Other comprehensive (expense)/income						
Foreign currency translation differences for foreign operations – net of tax	–	(4,198)	–	(4,198)	–	(4,198)
Transferred from foreign currency translation reserve to the Income Statement on sale of interest in MAF Greater Union LLC – net of tax (refer Note 5)	–	9,657	–	9,657	–	9,657
Share of associates' foreign currency translation reserve movements – net of tax	–	(1,547)	–	(1,547)	–	(1,547)
Net increase in fair value of available-for-sale financial assets – net of tax	–	221	–	221	–	221
Net change in fair value of cash flow hedges – net of tax	–	(392)	–	(392)	–	(392)
Total other comprehensive income recognised directly in equity	–	3,741	–	3,741	–	3,741
Total comprehensive income for the period	–	3,741	139,831	143,572	–	143,572
Employee share-based payments expense – net of tax	–	2,216	–	2,216	–	2,216
Net present value adjustment to employee share loans	–	26	–	26	–	26
Dividends paid	–	–	(58,987)	(58,987)	–	(58,987)
Total transactions with owners	–	2,242	(58,987)	(56,745)	–	(56,745)
Balance at 30 June 2011	219,126	6,086	621,801	847,013	–	847,013
Balance at 1 July 2009	101,353	6,167	491,475	598,995	90	599,085
Profit for the period	–	–	98,772	98,772	–	98,772
Other comprehensive (expense)/income						
Foreign currency translation differences for foreign operations – net of tax	–	(9,248)	–	(9,248)	–	(9,248)
Share of associates' foreign currency translation reserve movements – net of tax	–	(735)	–	(735)	–	(735)
Net increase in fair value of available-for-sale financial assets – net of tax	–	759	–	759	–	759
Net change in fair value of cash flow hedges – net of tax	–	1,402	–	1,402	–	1,402
Total other comprehensive expense recognised directly in equity	–	(7,822)	–	(7,822)	–	(7,822)
Total comprehensive (expense)/income for the period	–	(7,822)	98,772	90,950	–	90,950
Distribution to non-controlling interest in subsidiaries	–	–	–	–	(90)	(90)
Employee share-based payments expense – net of tax	–	1,710	–	1,710	–	1,710
Renounceable pro-rata entitlement share offer – net of costs and tax	105,987	–	–	105,987	–	105,987
Shares issued under the Dividend Reinvestment Plan	11,786	–	–	11,786	–	11,786
Net present value adjustment to employee share loans	–	48	–	48	–	48
Dividends paid	–	–	(49,290)	(49,290)	–	(49,290)
Total transactions with owners	117,773	1,758	(49,290)	70,241	(90)	70,151
Balance at 30 June 2010	219,126	103	540,957	760,186	–	760,186

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements on pages 43 to 109.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		821,604	820,817
Cash payments in the course of operations		(722,972)	(739,566)
Cash provided by operations		98,632	81,251
Distributions from associates and jointly controlled entities		33,159	45,357
Other revenue		43,292	41,219
Finance costs paid		(4,307)	(4,514)
Dividends received		486	479
Interest received		3,820	862
Income tax refunds		261	778
Income tax paid		(35,616)	(28,846)
Net cash provided by operating activities	40	139,727	136,586
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment in an associate – net of costs		78,451	–
Amounts invested in short term deposits		(65,000)	–
Payments for property, plant and equipment and redevelopment of investment properties		(71,838)	(83,892)
Payments for hotel assets in New Zealand – net of cash acquired		(9,275)	–
Payments for businesses acquired including goodwill and associated plant and equipment in Australia		(2,830)	–
Payments for cinema operations in New Zealand and Fiji – net of cash acquired		–	(47,521)
Payments for leasehold cinema sites and associated plant and equipment in Australia		–	(14,375)
Payments for remaining 50% interest in cinema joint venture site including plant and equipment		–	(3,517)
Payments for increase in investments in associates and jointly controlled entities		(1,000)	(98)
Purchase of management and leasehold rights, software and other intangibles assets		(5,349)	–
Proceeds from disposal of other non-current assets		734	962
Decrease in loans from other entities		(254)	(434)
(Decrease)/increase in loans to associates and jointly controlled entities		(26)	387
Net cash used by investing activities		(76,387)	(148,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		15,451	137,304
Repayments of borrowings		(7,798)	(165,795)
Repayments of finance lease		(3,716)	(4,574)
Net proceeds from renounceable pro-rata entitlement share issue		–	105,987
Dividends paid net of Dividend Reinvestment Plan		(58,987)	(37,504)
Net cash (used)/provided by financing activities		(55,050)	35,418
Net increase in cash and cash equivalents		8,290	23,516
Cash and cash equivalents at the beginning of the year		45,288	23,227
Effect of exchange rate fluctuations on cash held		(2,997)	(1,455)
Cash and cash equivalents at the end of the year	10	50,581	45,288

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 43 to 109.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Amalgamated Holdings Limited ("Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2011 comprises the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

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

The financial report was authorised for issue by the Board of Directors of Amalgamated Holdings Limited on 25 August 2011.

(a) Statement of compliance

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

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

(b) Basis of preparation

(i) *Basis of measurement*

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

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

(ii) *Use of estimates and judgements*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods if affected.

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

(iii) *Functional and presentation currency*

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

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

(iv) *Change in significant accounting policies*

The accounting policies described in this note have been applied consistently to all periods presented in this financial report and have been applied consistently by all entities in the Group, except as explained in this note which addresses changes in accounting policies.

From 1 July 2010, the Group has prospectively applied AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (2009) and AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (2010) which became mandatory for the Group for the period beginning on or after 1 July 2010. The mandatory changes in these accounting policies had no material impact on the financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) *Change in significant accounting policies (continued)*

The following standards have been identified as those which may impact the Group in the period of initial application. They were available for early adoption at 30 June 2011, but have not been applied by the Group in preparing these financial statements:

- AASB 9 Financial Instruments (2009) and AASB 9 Financial Instruments (2010) replaces the classification and measurement requirements for financial assets and liabilities currently contained in AASB 139 Financial Instruments. Under the new standards, financial assets are to be measured at either amortised cost or fair value. AASB 9 (2009) and AASB (2010) are expected to become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ending 30 June 2012 or earlier. The Group does not plan to adopt this standard early and has not yet determined the potential effect of the standard.

(c) Basis of consolidation

(i) *Business combinations*

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

For acquisitions on or after 1 July 2009, the Group measures goodwill arising from the business combination at the acquisition date as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

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

(ii) *Subsidiaries*

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

(iii) *Associates and jointly controlled entities ("equity accounted investees")*

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates and jointly controlled entities from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The Group's share of movements in reserves is recognised directly in consolidated equity. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has legal or constructive obligations to make payments on behalf of the investee.

(iv) *Transactions eliminated on consolidation*

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency

(i) *Foreign currency transactions*

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

(ii) *Financial statements of foreign operations*

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

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant portion of the cumulative amount is reclassified to profit or loss.

(iii) *Net investment in foreign operations*

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

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

(e) Derivative financial instruments

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

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

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

(f) Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The Group makes an assessment, both at inception of the hedge relationship as well as on an ongoing basis, whether such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge have been highly effective throughout the financial reporting periods for which they are designated.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Cash flow hedges*

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

For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged forecast transaction affects profit or loss. Any ineffective portion of change in the fair value of the derivative is recognised immediately in profit or loss.

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

(ii) *Hedge of net investment in foreign operations*

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

(g) Property, plant and equipment

(i) *Owned assets*

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

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

- the initial estimate of the cost at the time of installation and during the period of use, when relevant and probable, of removing items and restoring the site on which they are located (decommissioning);
- changes in the measurement of existing liabilities recognised for decommissioning costs resulting from changes in the discount rate applied to these future liabilities or changes to estimates of cost;
- transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment; and
- the borrowing cost related to the acquisition or construction of qualifying assets (refer Note 1(v)).

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

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

(ii) *Investment properties*

Investment properties comprise land and buildings which are held for long term rental yields or for capital appreciation, or both, and are not occupied by the Group in the ordinary course of business or for administration purposes. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value with any change therein recognised in profit or loss.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) *Investment properties (continued)*

Transfers are made from investment properties to inventories when there is a change in use as evidenced by the commencement of development with a view to sell. Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in profit or loss in the period of derecognition.

(iii) *Leased assets*

Leases for property, plant and equipment under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. Upon initial recognition, a lease asset is measured at the lower of its fair value and the present value of minimum lease payments. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy of the applicable asset. The interest component of finance lease payments is charged to profit or loss.

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

(iv) *Subsequent costs*

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

(v) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

(h) Intangible assets

(i) *Goodwill*

Goodwill that arises from a business combination is initially measured as described in Note 1(c)(i).

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

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

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

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

(ii) *Construction rights*

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) *Other intangible assets*

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

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

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

(i) Impairment

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. For goodwill, the recoverable amount is estimated each year at the same time. Where the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

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

(j) Investments

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

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

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

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

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Work in progress is valued at cost. Cost is based on the first-in-first-out principle and includes expenditure incurred in bringing inventories to their existing condition and location. The cost of inventories may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. (See Note 1(f)).

Transfers are made from investment properties to inventories when there is a change in use as evidenced by the commencement of development with a view to sale. (See Note 1(g)).

(l) Contract work in progress

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

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

(n) Receivables

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses. Where the payment terms for the sale of an asset are deferred, the receivable is discounted using the prevailing rate for a similar instrument of an issuer with similar credit terms. The unwinding of the discount is treated as finance revenue.

(o) Payables

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost. Trade accounts payable are normally non-interest bearing and settled within 30 days.

(p) Borrowings

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

(q) Provisions

(i) *Employee benefits*

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

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

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

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

(ii) *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

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

(iii) *Decommissioning of leasehold improvements*

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

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

(iv) *Other*

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Superannuation plans

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

(s) Share-based payment transactions – employee share and option plans

(i) *Executive Performance Share Plan*

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

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

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

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

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

(ii) *Employee Share Plan*

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

(t) Revenue recognition

Revenues are recognised at fair value of the consideration received, net of the amount of goods and services tax (“GST”), or equivalent tax in overseas jurisdictions.

(i) *Sale of goods*

Revenue from the sale of goods comprises revenue earned (net of returns, discounts, allowances and GST or equivalent tax in overseas jurisdictions) from the provision of products to entities outside the Group. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer.

(ii) *Rendering of services and deferred revenue*

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

(iii) *Interest and dividend revenue*

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

(iv) *Rental income*

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

(v) *Sale of non-current assets*

The gain or loss on disposal of an item of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds from the disposal.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) *Customer loyalty programs*

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

(u) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, or equivalent tax in overseas jurisdictions, except where the amount of GST or equivalent tax incurred is not recoverable from the local taxation authorities. In these circumstances, the tax is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

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

The net amount of the tax recoverable from, or payable to, taxation authorities 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 or equivalent tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows.

(v) Finance costs

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

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

(w) Taxation

(i) *Income tax*

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

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

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

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

(ii) *Tax consolidation regime*

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Segment reporting

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

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

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

(y) Earnings per share

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

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

(z) Accounting estimates and judgements

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

Accounting estimates and assumptions

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

(i) *Recoverable amount of assets*

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

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

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

(ii) *Fair value of investment properties*

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) *Share-based payment transactions*

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

Critical judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is:

(i) *Classification of properties*

The Group holds three properties which were previously operating cinema sites. Pending completion and approval of plans for the long term use of these properties, they have not been classified as investment properties. These properties continue to be accounted for using the cost basis rather than the fair value basis which is applied to investment properties.

(ii) *Contingent assets and liabilities*

Refer Note 32 for estimates and judgements made in relation to contingent assets and liabilities.

At 30 June 2011, there is a significant contingent asset relating to disputed value added tax ("VAT") provided for or paid by controlled entities in Germany. The determination of whether a possible amount receivable is a contingent asset or an asset that can be recognised in the Statement of Financial Position requires judgement on the degree of probability that future events, outside the control of the Group, will occur. For an asset to be recognised in the Statement of Financial Position, the occurrence of future events must be judged to be virtually certain at balance date.

(aa) Discontinued operations

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

NOTE 2 – SEGMENT REPORTING

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

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

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

Operating segments
The Group comprises the following main operating segments:

Cinema Exhibition Australia
Includes the cinema exhibition operations in Australia.

Cinema Exhibition New Zealand
Includes cinema exhibition operations in New Zealand as well as a joint venture interest in two cinema sites in Fiji. These cinema exhibition operations were acquired on 18 February 2010.

Cinema Exhibition Germany
Includes the cinema exhibition operations in Germany.

Cinema Exhibition United Arab Emirates
Includes the Group's 49% investment in cinema exhibition operations in the United Arab Emirates. The Group's interest in the United Arab Emirates associate was sold on 25 October 2010. See Note 5.

Entertainment Technology
Includes theatre equipment supply and servicing and the 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 and The State Theatre.

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

Geographical information
Also presented is information on the Group's split of revenue and non-current assets by geographic location. Geographic revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The Group operates in Australia, New Zealand and Germany. The Group also operated in the United Arab Emirates until 25 October 2010.

NOTE 2 – SEGMENT REPORTING (continued)

Operating segments	Cinema Exhibition – Australia $'000	Cinema Exhibition – New Zealand $'000	Cinema Exhibition – Germany $'000	Cinema Exhibition – United Arab Emirates $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Property and Other Investments $'000	Consolidated $'000	Less: Discontinued operations $'000	Consolidated continuing operations $'000
2011												
Revenue and other income												
External segment revenue	160,555	60,595	270,454	–	30,664	165,125	53,902	12,312	22,135	775,742	–	775,742
Inter-segment revenue	–	–	–	–	9,637	–	–	–	–	9,637	–	9,637
Other income – external	–	2	406	60,318	–	1,045	170	–	3,135	65,076	(60,318)	4,758
Finance income										4,393	–	4,393
Other unallocated revenue										56	–	56
Total revenue and other income										854,904	(60,318)	794,586
Elimination of inter-segment revenue										(9,637)	–	(9,637)
Consolidated revenue and other income										845,267	(60,318)	784,949
Result												
Segment result	15,920	1,739	13,340	60,304	908	28,188	15,168	2,842	13,357	151,766	(60,304)	91,462
Share of net profit/(loss) of equity accounted business undertakings	30,633	540	2,287	1,978	(16)	33	–	–	–	35,455	(1,978)	33,477
	46,553	2,279	15,627	62,282	892	28,221	15,168	2,842	13,357	187,221	(62,282)	124,939
Unallocated revenue and expenses										(14,952)	–	(14,952)
Net finance income										169	–	169
Profit before related income tax expense										172,438	(62,282)	110,156
Income tax expense										(32,607)	–	(32,607)
Profit after income tax expense										139,831	(62,282)	77,549
Amortisation and depreciation	(7,534)	(4,579)	(6,421)	–	(309)	(10,918)	(3,525)	(367)	(2,687)	(36,340)	–	(36,340)
Impairment write-downs of property, plant and equipment	–	(257)	(398)	–	–	–	–	–	–	(655)	–	(655)
Reversal of impairment write-downs made in prior years	–	–	325	–	–	–	–	–	–	325	–	325

NOTE 2 – SEGMENT REPORTING (continued)	Cinema Exhibition											
Operating segments	Australia $'000	New Zealand $'000	Germany $'000	United Arab Emirates $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Property and Other Investments $'000	Consolidated $'000	Less: Discontinued operations $'000	Consolidated continuing operations $'000
2011												
Individually significant items												
Income												
Profit on sale of equity accounted investment (MAF Greater Union LLC)	–	–	–	60,318	–	–	–	–	–	60,318	(60,318)	–
Development gain on valuation and reclassification to an investment property of the redeveloped Canberra Civic property	–	–	–	–	–	–	–	–	2,251	2,251	–	2,251
Profit on sale of developed residential land lots	–	–	–	–	–	–	–	–	5,600	5,600	–	5,600
	–	–	–	60,318	–	–	–	–	7,851	68,169	(60,318)	7,851

NOTE 2 – SEGMENT REPORTING (continued)

Operating segments	Cinema Exhibition Australia $'000	Cinema Exhibition New Zealand $'000	Cinema Exhibition Germany $'000	Cinema Exhibition United Arab Emirates $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Property and Other Investments $'000	Consolidated $'000
2011										
Assets										
Reportable segment assets	111,950	50,781	86,317	–	18,016	389,630	45,047	10,694	155,322	867,757
Equity accounted investments	106,059	6,491	1,774	–	151	–	–	–	–	114,475
Deferred tax assets										11,036
Unallocated corporate assets										90,436
Consolidated total assets										1,083,704
Liabilities										
Reportable segment liabilities	60,294	13,587	57,450	–	12,503	16,256	11,897	315	1,680	173,982
Deferred tax liabilities										10,412
Unallocated corporate liabilities										52,297
Consolidated total liabilities										236,691
Acquisitions of non-current assets	13,837	5,236	9,801	–	10	53,771	2,591	–	6,382	91,628

Geographical information	Australia $'000	New Zealand and Fiji $'000	Germany $'000	United Arab Emirates $'000	Consolidated $'000	Less: Discontinued operations $'000	Consolidated continuing operations $'000
External segment revenue	423,304	81,984	270,454	–	775,742	–	775,742
Reportable segment assets	687,245	94,195	86,317	–	867,757	–	867,757
Equity accounted investments	106,210	6,491	1,774	–	114,475	–	114,475
Acquisitions of non-current assets	64,796	17,031	9,801	–	91,628	–	91,628

NOTE 2 – SEGMENT REPORTING (continued)	Cinema Exhibition											
Operating segments	**Australia $'000**	**New Zealand $'000**	**Germany $'000**	**United Arab Emirates $'000**	**Entertainment Technology $'000**	**Hotels $'000**	**Thredbo Alpine Resort $'000**	**Leisure/ Attractions $'000**	**Property and Other Investments $'000**	**Consolidated $'000**	**Less: Discontinued operations $'000**	**Consolidated continuing operations $'000**
2010												
Revenue and other income												
External segment revenue	157,222	21,970	348,730	–	33,454	150,069	51,433	11,095	26,043	800,016	–	800,016
Inter-segment revenue	–	–	–	–	3,533	–	–	–	–	3,533	–	3,533
Other income - external	–	–	986	–	–	52	–	–	10,865	11,903	–	11,903
Finance income										858	–	858
Other unallocated revenue										63	–	63
Total revenue and other income										816,373	–	816,373
Elimination of inter-segment revenue										(3,533)	–	(3,533)
Consolidated revenue and other income										812,840	–	812,840
Result												
Segment result	18,323	419	27,432	–	1,767	22,191	15,046	2,424	17,505	105,107	–	105,107
Share of net profit/(loss) of equity accounted business undertakings	37,918	275	1,519	9,005	13	(215)	–	–	–	48,515	(9,005)	39,510
	56,241	694	28,951	9,005	1,780	21,976	15,046	2,424	17,505	153,622	(9,005)	144,617
Unallocated revenue and expenses										(13,431)	–	(13,431)
Net finance costs										(3,747)	–	(3,747)
Profit before related income tax expense										136,444	(9,005)	127,439
Income tax expense										(37,672)	–	(37,672)
Profit after income tax expense										98,772	(9,005)	89,767
Amortisation and depreciation	(7,215)	(1,945)	(7,500)	–	(75)	(9,610)	(3,682)	(378)	(3,242)	(33,647)	–	(33,647)
Impairment write-downs of property, plant and equipment	–	–	–	–	–	(5,800)	–	–	(5,525)	(11,325)	–	(11,325)
Reversal of impairment write-downs made in prior years	–	–	986	–	–	–	–	–	–	986	–	986

NOTE 2 – SEGMENT REPORTING (continued)	Cinema Exhibition											
Operating segments	Australia $'000	New Zealand $'000	Germany $'000	United Arab Emirates $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Property and Other Investments $'000	Consolidated $'000	Less: discontinued operations $'000	Consolidated continuing operations $'000
2010												
Individually significant items												
Income												
Development gain on valuation and reclassification to an investment property of the redeveloped Canberra Civic property	–	–	–	–	–	–	–	–	10,163	10,163	–	10,163
Profit on sale of developed residential land lots	–	–	–	–	–	–	–	–	8,304	8,304	–	8,304
Reversal of prior years' impairment write-downs of plant and equipment	–	–	986	–	–	–	–	–	–	986	–	986
Expenses												
Impairment write-downs of freehold land and buildings	–	–	–	–	–	(5,800)	–	–	–	(5,800)	–	(5,800)
Impairment write-downs in the carrying value of plant and equipment arising from the planned redevelopment of the Gowings and State Theatre office buildings in Sydney	–	–	–	–	–	–	–	–	(5,525)	(5,525)	–	(5,525)
Provision raised for onerous contract relating to lease of a closed cinema site in Germany	–	–	(2,201)	–	–	–	–	–	–	(2,201)	–	(2,201)
Relating to equity accounted jointly controlled entity												
Share of reversal of prior years' impairment write-downs of plant and equipment in a jointly controlled entity	3,262	–	–	–	–	–	–	–	–	3,262	–	3,262
	3,262	–	(1,215)	–	–	(5,800)	–	–	12,942	9,189	–	9,189

NOTE 2 – SEGMENT REPORTING (continued)

Operating segments	Cinema Exhibition Australia $'000	Cinema Exhibition New Zealand $'000	Cinema Exhibition Germany $'000	Cinema Exhibition United Arab Emirates $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Property and Other Investments $'000	Consolidated $'000	Less: Discontinued operations $'000	Consolidated continuing operations $'000
2010												
Assets												
Reportable segment assets	105,763	54,091	74,753	–	11,730	333,675	44,748	9,947	184,811	819,518	–	819,518
Equity accounted investments	99,250	7,145	2,852	13,202	167	1,668	–	–	–	124,284	(13,202)	111,082
Deferred tax assets										13,990	–	13,990
Unallocated corporate assets										30,760	–	30,760
Consolidated total assets										988,552	(13,202)	975,350
Liabilities												
Reportable segment liabilities	65,677	16,313	55,725	–	9,425	14,418	11,777	244	2,491	176,070	–	176,070
Deferred tax liabilities										8,002	–	8,002
Unallocated corporate liabilities										44,294	–	44,294
Consolidated total liabilities										228,366	–	228,366
Acquisitions of non-current assets	27,071	53,207	5,378	–	22	48,889	2,683	–	17,873	155,123	–	155,123

Geographical information	Australia $'000	New Zealand and Fiji $'000	Germany $'000	United Arab Emirates $'000	Consolidated $'000	Less: Discontinued operations $'000	Consolidated Continuing operations $'000
External segment revenue	410,448	40,838	348,730	–	800,016	–	800,016
Reportable segment assets	670,275	74,490	74,753	–	819,518	–	819,518
Equity accounted investments	99,417	8,813	2,852	13,202	124,284	(13,202)	111,082
Acquisitions of non-current assets	96,501	53,244	5,378	–	155,123	–	155,123

NOTE 3 – REVENUE AND OTHER INCOME	Note	2011 $'000	2010 $'000
Revenue from continuing operations			
Sale of goods		221,109	231,373
Rendering of services		511,397	527,488
		732,506	758,861
Other revenue			
Finance revenue:			
Interest income – bank deposits		4,257	751
Interest income – other persons		136	107
		4,393	858
Rental revenue:			
Associates	39	43	41
Other persons		23,025	22,811
		23,068	22,852
Dividends received and receivable from:			
Available-for-sale financial assets		446	428
Other entities		40	51
		486	479
Management and consulting fees received and receivable from:			
Jointly controlled entities	37	5,772	5,676
Other persons		13,985	11,649
		19,757	17,325
Sundry revenue		467	1,041
Other income:			
Insurance proceeds		1,007	–
Development gain on valuation and reclassification to an investment property of the redeveloped Canberra Civic property		2,251	10,163
Increase in fair value of investment properties		438	275
Profit on sale of plant and equipment		251	–
Plant and equipment impairment write-downs reversal		325	986
		4,272	11,424
Total other revenue and income		52,443	53,979
Total revenue and other income		784,949	812,840
Revenue and other income including share of sales revenue for jointly controlled entities:			
Revenue as listed above		784,949	812,840
Jointly controlled entities *	37	228,362	235,875
		1,013,311	1,048,715

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

NOTE 4 – PROFIT BEFORE INCOME TAX	2011 $'000	2010 $'000
(a) Expenses and losses/(gains)		
Profit before income tax has been arrived at after charging/(crediting) the following items:		
Cost of goods sold	77,915	65,922
Finance costs:		
Bank interest and finance costs	2,935	4,618
Ineffective interest rate hedges expensed	31	331
Interest expense – associates	103	55
Interest and finance costs – other persons	828	2
Finance charges on capitalised leases	67	214
Less: Capitalised interest	–	(826)
	3,964	4,394
Unwind of notional interest	260	211
	4,224	4,605
Net bad and doubtful debts expense/(write-back)	241	(510)
Amortisation of:		
Buildings and improvements subject to long term leases	6,334	8,574
Intangible assets	2,790	2,511
Other	378	331
	9,502	11,416
Depreciation	26,838	22,231
	36,340	33,647
Impairment write-downs:		
Freehold land and buildings	–	5,800
Buildings and improvements subject to long term leases	580	–
Plant and equipment	75	5,525
	655	11,325
Operating lease rental expense	105,713	103,048
Loss on sale of plant and equipment	813	1,047
Increase/(decrease) in provision for:		
Onerous contracts	(3,181)	1,892
Insurance loss contingencies and other	(29)	(349)
Decommissioning of leasehold improvements	149	(137)
	(3,061)	1,406
Employee expenses:		
Salaries and wages	164,280	155,485
Increase in employee benefits provisions	10,193	8,023
Share-based payments expense	1,949	1,494
Superannuation contributions	8,172	7,264
	184,594	172,266
Net foreign exchange gains	(115)	(105)

NOTE 4 – PROFIT BEFORE INCOME TAX (continued)	2011 $'000	2010 $'000
(b) Individually significant items		
Profit before income tax expense includes the following revenues/(expenses) whose disclosure is relevant in explaining the financial performance of the Group:		
Relating to continuing operations		
Development gain on valuation and reclassification to an investment property of the redeveloped Canberra Civic property	2,251	10,163
Profit on sale of developed residential land lots	5,600	8,304
Reversal of prior years' impairment write-downs of plant and equipment at certain cinema sites in Germany	–	986
Impairment write-downs of freehold land and buildings	–	(5,800)
Impairment write-downs of plant and equipment arising from the planned redevelopment of the Gowings and State Theatre office buildings in Sydney	–	(5,525)
Provision for onerous contract relating to the lease of a closed cinema site in Germany	–	(2,201)
Relating to equity accounted jointly controlled entity		
Share of reversal of prior years' impairment write-downs of plant and equipment in a jointly controlled entity	–	3,262
Relating to discontinued operations (refer Note 5)		
Profit on sale of interest in United Arab Emirates cinema exhibition operations – MAF Greater Union LLC	60,318	–
	68,169	9,189

NOTE 5 – DISCONTINUED OPERATIONS

On 25 October 2010, the Group sold its 49% share in an associate, MAF Greater Union LLC. The consideration from the sale was $78,583,000 and the profit on the sale was $60,318,000. MAF Greater Union LLC operated a cinema circuit based in the United Arab Emirates which, at the date of sale, consisted of five cinema sites and a total of 50 screens.

The associate did not meet the criteria for held for sale and consequently was not shown as a discontinued operation as at 30 June 2010. The comparative Income Statement and Statement of Comprehensive Income have been re-presented to show the discontinued operations separately from continuing operations.

Profit attributable to discontinued operations was as follows:

	2011 $'000	2010 $'000
Results of discontinued operations		
Share of net profit accounted for using the equity method	1,978	9,005
Other costs	(14)	–
Profit before income tax	1,964	9,005
Income tax expense	–	–
Net profit before gain on sale of discontinued operations	1,964	9,005
Profit on sale of discontinued operations	60,318	–
Income tax expense – sale of discontinued operations	–	–
Profit after tax from discontinued operations	62,282	9,005

During the year to 30 June 2011, the discontinued operations had cash inflows from operating activities of $4,400,000 (2010: $7,831,000), cash inflows from investing activities on disposal of $78,583,000 (2010: $nil) and cash inflows from financing activities of $nil (2010: $nil).

NOTE 6 – AUDITORS' REMUNERATION

	2011 $	2010 $
Audit services:		
Auditors of the Group – KPMG Australia		
Audit and review of financial reports	871,580	886,407
Other assurance services	50,836	128,403
Overseas KPMG firms		
Audit and review of financial reports	350,338	398,324
Other assurance services	7,527	8,018
	1,280,281	1,421,152
Other services:		
Auditors of the Group – KPMG Australia		
Income tax compliance	128,650	152,721
Indirect tax compliance advice	69,528	39,270
	198,178	191,991
Overseas KPMG firms		
Income tax compliance	104,487	110,366
Indirect tax compliance advice	–	11,170
Other taxation services	116,280	100,001
	220,767	221,537
	418,945	413,528

NOTE 7 – TAXATION	2011 $'000	2010 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Income tax recognised in profit or loss		
Income tax expense reported	32,607	37,672
Income tax benefit attributable to discontinued operations	–	–
	32,607	37,672
Current income tax		
Current income tax expense	27,474	31,736
Adjustments in respect of current income tax of prior year	171	(308)
Deferred income tax		
Relating to origination and reversal of temporary differences	4,962	6,244
Income tax expense reported in the Income Statement	32,607	37,672
Income tax charged/(credited) directly in equity		
Deferred income tax related to items charged or credited directly to equity:		
Relating to other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	134	425
Unrealised gain on available-for-sale financial assets	95	325
Currency translation movements of deferred tax balances of foreign operations	(116)	165
Other foreign currency translation differences	–	614
Net gain on hedge of net investment in overseas subsidiaries	476	335
	589	1,864
Relating to other equity balances		
Renounceable pro-rata entitlement offer costs amortised for tax	–	(403)
Adjustment to shared-based payments reserve	(189)	(169)
	(189)	(572)
Income tax benefit reported in equity	400	1,292
Reconciliation between income tax expense and pre-tax net profit		
A reconciliation between income tax expense and accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Profit before tax from continuing operations	110,156	127,439
Profit before tax from discontinued operations	62,282	9,005
Accounting profit before income tax expense	172,438	136,444
Prima facie income tax expense calculated at the Group's statutory income tax rate of 30% (2010: 30%) on the accounting profit	51,731	40,933
Increase in income tax expense due to:		
Restatement of deferred tax balances in New Zealand arising from reduction of company tax rate and elimination of building depreciation for tax	–	2,957
Non-deductible items and losses in non-resident controlled entities	1,887	2,733
Impairment write-downs of freehold land and buildings	–	1,740
Depreciation and amortisation of buildings	366	328
Non-deductible acquisition and legal costs	302	438
Non-refundable franking credits grossed up	57	66
Dividends from equity accounted associates	–	21
Sundry items	321	314
	2,933	8,597
Decrease in income tax expense due to:		
Non-assessable profit on sale of interest in United Arab Emirates cinema exhibition operations	18,095	–
Tax losses from prior years now recognised or utilised	2,635	5,272
Share of associates' net profit	598	2,640
Difference between book and tax values of developed residential lots recognised	–	1,714
Difference between book and tax values for investment properties recognised	–	589
Share of incorporated jointly controlled entities' net profit	685	456
Investment allowance and research and development tax concession	–	471
Franking credits on dividends received	191	183
Share of investment allowance and non-assessable items in jointly controlled entities' income tax	–	158
Franking credits on dividends received from equity accounted associates	–	37
Difference between book and tax deduction for share-based payments expense	24	30
	22,228	11,550
Income tax under/(over) provided in prior year	171	(308)
	32,607	37,672

NOTE 7 – TAXATION (continued)	2011 $'000	2010 $'000
(b) Current tax liabilities		
Provision for current income tax		
Movements during the year:		
Balance at the beginning of the year	14,209	11,906
Income tax paid	(35,616)	(28,846)
Current year income tax provided	28,134	32,805
Income tax provision within entities acquired	–	56
Tax refunds received	261	778
Under/(over) provision in prior year	1,037	(1,170)
Foreign currency differences in translation of foreign operations	(367)	(1,320)
	7,658	14,209

	Statement of Financial Position		Income Statement	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
(c) Deferred income tax				
Deferred tax liabilities				
Deferred tax liabilities comprise:				
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	16,358	12,972	3,975	4,372
Difference in treatment of property lease for accounting and tax purposes	–	1,331	(1,276)	100
Investment properties	7,065	6,179	886	2,653
Available-for-sale investments	1,711	1,617	–	–
Interest and holding charges capitalised	1,130	1,180	(50)	256
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	1,693	1,402	291	187
Prepayments	107	106	1	5
Share-based payments deductible for tax but deferred and amortised for accounting purposes	1,700	1,380	509	565
Share of jointly controlled entity timing differences	559	641	(82)	102
Unrealised foreign exchange gains not currently assessable	1,593	1,108	10	(30)
Sundry items	461	231	249	118
	32,377	28,147		
Less: Deferred tax assets of the tax consolidated group offset against deferred tax liabilities	(21,965)	(20,145)		
	10,412	8,002		
Deferred tax assets				
Deferred tax assets comprise:				
Provisions and accrued employee benefits not currently deductible	10,005	10,302	431	148
Unrealised foreign exchange losses not currently deductible	209	364	154	(264)
Unrealised foreign exchange differences on cash flow hedges	69	239	36	(76)
Deferred revenue	2,868	2,568	(302)	(94)
Difference in depreciation and amortisation of property, plant and equipment and intangible assets for accounting and income tax purposes	6,472	8,423	1,748	(2,173)
Lease termination payment not currently deductible	–	210	210	210
Share of jointly controlled entity timing differences	6,616	6,194	(702)	463
Tax losses carried forward	3,311	2,023	(1,482)	(1,262)
Capital losses offsetting unrealised capital gains	2,475	1,031	(1,444)	2,649
Difference between book and tax values of developed residential land lots	189	1,834	1,645	(1,834)
Renounceable pro-rata entitlement offer costs amortised for tax	242	323	80	80
Sundry items	545	624	75	69
	33,001	34,135		
Less: Deferred tax liabilities of the tax consolidated group offset against deferred tax assets	(21,965)	(20,145)		
	11,036	13,990		
Deferred tax expense			4,962	6,244

NOTE 7 – TAXATION (continued)	2011 $'000	2010 $'000
Unrecognised deferred tax assets		
Revenue losses – foreign	22,234	24,047
Temporary differences – foreign	1,861	1,350
	24,095	25,397

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

Included in the deferred tax assets not recognised is the gross value of tax revenue losses arising in Germany of $74,109,000 (2010: $80,157,000). The availability of these tax losses is subject to certain utilisation limits and ongoing availability tests under German tax law.

At 30 June 2011, there was no recognised deferred income tax liability (2010: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or incorporated jointly controlled entities.

NOTE 8 – DIVIDENDS	Per share Cents	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Dividends on ordinary shares paid during the year are:					
2011					
Final 2010 dividend paid	23	36,615	16 September 2010	30%	100%
Interim 2011 dividend paid	14	22,372	24 March 2011	30%	100%
		58,987			
2010					
Final 2009 dividend paid	21	27,383	17 September 2009	30%	100%
Interim 2010 dividend paid	14	21,907	29 March 2010	30%	100%
		49,290			
Subsequent events					
Since the end of the financial year, the directors declared the following dividends:					
Final 2011 dividend	23	36,754	22 September 2011	30%	100%
Special dividend	4	6,392	22 September 2011	30%	100%

The financial effect of the final dividend and special dividend in respect of the year has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognised in subsequent financial statements.

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

	2011 $'000	2010 $'000
Franking credit balance		
The amount of franking credits available are:		
Franking account balance as at the beginning of the financial year at 30% (2010: 30%)	141,563	138,872
Franking credits from the payment of income tax and income tax payable	19,621	23,632
Franking debits from the payment of dividends	(25,280)	(21,124)
Franking credits from the receipt of dividends	191	183
The amount of franking credits available for future reporting periods	136,095	141,563

The impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period is to reduce the balance by $18,491,000 (2010: $15,692,000).

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

NOTE 9 – EARNINGS PER SHARE	2011 $'000	2010 $'000
Earnings reconciliation		
Profit after tax from continuing operations	77,549	89,767
Basic earnings – continuing operations	77,549	89,767
Basic earnings – discontinued operations	62,282	9,005
Earnings attributable to equity holders of the Company	139,831	98,772
	Number	**Number**
Weighted average number of ordinary shares used as the denominator number for basic earnings per share	159,444,891	148,762,958
Effect of management share options on issue	–	–
Number for diluted earnings per share	159,444,891	148,762,958

There were no management share options on issue at 30 June 2011 (2010: nil).

NOTE 10 – CASH, CASH EQUIVALENTS AND SHORT TERM DEPOSITS	2011 $'000	2010 $'000
Cash at bank and on hand	50,581	45,288
Short term deposits	65,000	–

Short term deposits comprise deposits with banks with original maturities between three and six months. Details relating to cash at bank, on hand and on short term deposit and the Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 29.

NOTE 11 – TRADE AND OTHER RECEIVABLES	2011 $'000	2010 $'000
Current		
Trade receivables	25,237	34,757
Less: Allowance for trade receivables	(732)	(591)
	24,505	34,166
Other receivables	12,282	14,679
Receivable from jointly controlled entities	1,658	1,631
	38,445	50,476
Non-current		
Trade receivables	45	93
Receivable from associates	43	43
Present value of loans provided under the Employee Share Plan	222	269
	310	405

Trade receivables are non-interest bearing and are generally on 30 – 90 day terms. The Group's exposure to credit and currency risks related to trade and other receivables is disclosed in Note 29.

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

As at 30 June 2011, trade receivables with a value of $732,000 (2010: $591,000) were impaired and fully provided for. Movements in the allowance for trade receivables are as follows:

	2011 $'000	2010 $'000
Balance at the beginning of the year	591	1,906
Charge	236	4
Provision no longer required	(99)	(1,291)
Net foreign currency differences on translation of foreign operations	4	(28)
	732	591

NOTE 11 – TRADE AND OTHER RECEIVABLES (continued)

As at 30 June 2011, the analysis of trade receivables for the Group that were past due but not impaired is as follows:

	2011 $'000	2010 $'000
Not past due nor impaired	20,488	26,502
Less than 30 days overdue	2,347	4,900
More than 30 days overdue but less than 90 days overdue	724	1,796
More than 90 days overdue	946	968
	24,505	34,166

Other receivables of $12,282,000 (2010:$14,679,000) do not contain impaired assets and are not past due. Based on the credit history of these other receivables, it is expected that these amounts will be recovered when due.

NOTE 12 – INVENTORIES

	2011 $'000	2010 $'000
Raw materials and stores	3,105	2,797
Work in progress	6,989	3,870
Finished goods	11,908	7,673
Developed residential land lots – held for sale	711	3,784
Total inventories at the lower of cost and net realisable value	22,713	18,124

NOTE 13 – PREPAYMENTS AND OTHER SUNDRY ASSETS

	2011 $'000	2010 $'000
Prepayments	4,699	6,172
Other	761	428
	5,460	6,600

NOTE 14 – OTHER FINANCIAL ASSETS

	2011 $'000	2010 $'000
Unquoted investments in other entities	315	312

NOTE 15 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 $'000	2010 $'000
Investments in listed company	10,762	10,447

The Group's investment is in a company listed on the ASX. A 10% increase in the market price of the shares in this company at the reporting date would have increased equity by $753,000 after tax (2010: an increase of $731,000); an equal change in the opposite direction would have decreased equity by $753,000 after tax (2010: a decrease of $731,000).

NOTE 16 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2011 $'000	2010 $'000
Associates	36	151	15,037
Jointly controlled entities	37	114,324	109,247
		114,475	124,284

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

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT	2011 $'000	2010 $'000
Freehold land and buildings		
At cost	462,562	417,489
Less: Accumulated depreciation	(72,231)	(63,368)
	390,331	354,121
Land subject to long term leases		
At cost – subject to long term lease	56	56
At cost – subject to long term finance lease	–	6,622
	56	6,678
Buildings and improvements subject to long term leases		
At cost – on land subject to long term lease	54,422	44,634
At cost – other leasehold improvements	121,606	118,029
At cost – subject to long term finance lease	–	21,453
	176,028	184,116
Less: Accumulated amortisation	(110,687)	(112,981)
	65,341	71,135
Resort apartments and share of common property		
At cost	27,239	26,898
Less: Accumulated depreciation	(628)	(278)
	26,611	26,620
Capital work in progress		
At cost	17,752	1,751
Plant and equipment		
At cost	387,056	387,807
Less: Accumulated depreciation	(244,355)	(249,030)
	142,701	138,777
Total property, plant and equipment at net book value	642,792	599,082

Reconciliations

Summaries of the movements in carrying amounts of each class of property, plant and equipment between the beginning and end of the year are set out below:

	2011 $'000	2010 $'000
Freehold land and buildings		
At cost at the beginning of the year	417,489	404,881
Less: Accumulated depreciation at the beginning of the year	(63,368)	(53,682)
Net balance at the beginning of the year	354,121	351,199
Additions	18,632	22,432
Transfer from land subject to long term leases	6,237	–
Transfer from buildings and improvements subject to long term finance lease	16,005	–
Transfer from capital work in progress	643	289
Transfer to investment properties	–	(9,776)
Disposals	–	(159)
Net foreign currency differences on translation of foreign operations	(931)	178
Depreciation	(4,376)	(4,242)
Impairment write-downs	–	(5,800)
Net balance at the end of the year	390,331	354,121
Land subject to long term leases		
At cost at the beginning of the year	6,678	8,093
Transfer to freehold land and buildings	(6,237)	–
Net foreign currency differences on translation of foreign operations	(385)	(1,415)
Net balance at the end of the year	56	6,678

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (continued)	2011 $'000	2010 $'000
Buildings and improvements subject to long term leases		
At cost at the beginning of the year	184,116	184,705
Less: Accumulated amortisation at the beginning of the year	(112,981)	(112,858)
Net balance at the beginning of the year	71,135	71,847
Additions	6,363	3,179
Additions through entities acquired	10,720	9,556
Additional make-good asset	57	–
Transfer to freehold land and buildings	(16,005)	–
Transfer from capital work in progress	825	–
Transfer from plant and equipment	577	–
Net foreign currency differences on translation of foreign operations	(1,943)	(4,662)
Disposals	–	(211)
Amortisation	(6,334)	(8,574)
Impairment write-backs	21	–
Impairment write-downs	(75)	–
Net balance at the end of the year	65,341	71,135
Resort apartments and share of common property		
At cost at the beginning of the year	26,898	15,513
Less: Accumulated depreciation at the beginning of the year	(278)	–
Net balance at the beginning of the year	26,620	15,513
Additions	253	11,416
Transfer to plant and equipment	–	(31)
Transfer from capital work in progress	86	–
Depreciation	(348)	(278)
Net balance at the end of the year	26,611	26,620
Capital work in progress		
Balance at the beginning of the year	1,751	13,834
Additions	18,974	155
Transfer to investment properties	–	(11,332)
Transfer out on completion	(2,973)	(906)
Net balance at the end of the year	17,752	1,751
Plant and equipment		
At cost at the beginning of the year	387,807	312,516
Less: Accumulated depreciation at the beginning of the year	(249,030)	(211,251)
Net balance at the beginning of the year	138,777	101,265
Additions	27,656	27,758
Additions through entities acquired	987	34,796
Transfer from capital work in progress	1,355	238
Transfer to buildings and improvements subject to long term lease	(577)	–
Transfer to investment properties	–	(121)
Net foreign currency differences on translation of foreign operations	(2,313)	(1,513)
Disposals	(1,365)	(1,396)
Depreciation	(22,114)	(17,711)
Impairment write-backs	304	986
Impairment write-downs	(580)	(5,525)
Adjustment to impairment provided on acquisition	571	–
Net balance at the end of the year	142,701	138,777

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (continued)

Independent valuations of interest in land and buildings

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

Most recent valuations of interest in land and buildings, excluding investment properties		**2011 $'000**	**2010 $'000**
Due to the diversity of the Group's operations, valuations have been prepared on a highest and best alternate use or existing use basis. A summary, by year of the last valuation, is set out as follows:			
Highest and best alternate use			
Independent valuation	– 2009	54,500	54,500
Existing use			
Independent valuation	– 2010	202,199	203,798
Independent valuation	– 2009	415,815	416,906
		672,514	675,204
Land and buildings not independently valued			
Acquisition cost of properties acquired since June 2009 not yet independently valued		81,061	56,620
		753,575	731,824

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

The written-down book value of plant and equipment which is deemed integral to land and buildings, has been determined to total approximately $83,200,000 as at 30 June 2011 (2010: $73,500,000).

Impairments

Land and buildings

The trading performance of certain hotel properties caused the Group to assess their recoverable amount. There were no impairment losses recognised in respect of land and buildings in the year to 30 June 2011 (2010: impairment losses totalling $5,800,000 recognised).

Hotel properties are treated as separate cash-generating units and their recoverable values were estimated based on their value in use. In determining the estimated value in use, discount rates in the range of 11.4% to 12.8% (2010: 10.8% to 11.5%) per annum were used. Cash flows were projected based on actual operating results, with longer term cash flows, after the initial forecast periods, extrapolated using average expected growth rates in the range of 2.5% to 3.2% (2010: 2%) per annum.

Given the long life nature of these assets, the estimates of their recoverable value in use are particularly sensitive to changes in certain key assumptions. Although all assumptions used are considered to be appropriate at this time, an increase of 1 percentage point in the discount rate, for the hotel properties assessed, would result in an impairment loss of $8,537,000 being recognised. A 10% decrease in the forecast earnings would result in an impairment loss of $7,373,000 being recognised.

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold improvements and plant and equipment
During the year ended 30 June 2011, impairment write-downs totalling $655,000 were made in respect of plant and equipment and leasehold improvements at a small number cinema sites in Germany and New Zealand. Also during the year ended 30 June 2011, impairment write-downs made in prior years for a number of other cinema sites in Germany were reversed to the value of $325,000 (2010: impairment reversal of $986,000). These write-downs and write-backs were deemed appropriate, using the value in use method, due to changes in cash flow generated by the sites resulting from a general improvement or decline in trading performance. Write-downs were also made where there is a planned closure of a site. The impairment write-backs did not exceed the carrying amount of the assets that would have been determined, net of depreciation, had no impairment loss been recognised. In assessing the recoverable amount for plant and equipment and leasehold improvements at these cinema sites, a discount rate of 12.2% to 12.65% (2010:12.2%) per annum has been applied to projected future cash flows which included a growth rate of 2% (2010: 2%) per annum.

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

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

	2011 $'000	2010 $'000
Freehold land and buildings	162,102	163,480
Freehold land and buildings classified as investment properties	27,550	27,750
	189,652	191,230

NOTE 18 – INVESTMENT PROPERTIES

	2011 $'000	2010 $'000
Freehold land and buildings		
At fair value	79,350	78,875
Summary of movements:		
Balance at the beginning of the year	78,875	29,600
Transfer from property, plant and equipment	–	21,229
Additions	37	17,608
Development gain on revaluation of Canberra Civic property	–	10,163
Fair value increments	438	275
Balance at the end of the year	79,350	78,875

The carrying amount of investment properties is the fair value of the properties as determined by a registered qualified independent valuer. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. Valuers used capitalisation rates on reversionary rental yields in the range of 6.5% to 9.0% (2010: 6.75% to 9.50%) to determine fair values for the six investment properties held by the Group.

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

During the financial year ended 30 June 2011, $7,004,000 (2010: $4,911,000) was recognised as rental income for investment properties in the Income Statement with $1,431,000 (2010: $1,281,000) incurred in respect of direct costs, including $189,000 (2010: $123,000) for repairs and maintenance.

NOTE 19 – GOODWILL AND OTHER INTANGIBLE ASSETS	2011 $'000	2010 $'000
Goodwill	12,707	10,649
Construction rights	1,388	1,388
Liquor licences	189	185
	14,284	12,222
Management and leasehold rights – including initial contributions	23,127	20,361
Less: Accumulated amortisation	(4,088)	(2,690)
	19,039	17,671
Film library	–	380
Less: Accumulated amortisation	–	(357)
	–	23
Software	6,449	7,489
Less: Accumulated amortisation	(2,296)	(4,516)
	4,153	2,973
	37,476	32,889

Reconciliations

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

2011	Goodwill $'000	Construction rights $'000	Film library $'000	Liquor licences $'000	Management and leasehold rights $'000	Software $'000
Gross balance at the beginning of the year	10,649	1,388	380	185	20,361	7,489
Accumulated amortisation and impairment losses at the beginning of the year	–	–	(357)	–	(2,690)	(4,516)
Net balance at the beginning of the year	10,649	1,388	23	185	17,671	2,973
Acquisitions and initial contributions	2,653	–	–	4	2,771	2,578
Adjustments	(87)	–	–	–	–	–
Amortisation	–	–	(4)	–	(1,400)	(1,386)
Disposals	–	–	(19)	–	–	(2)
Net foreign currency differences on translation of foreign operations	(508)	–	–	–	(3)	(10)
Net balance at the end of the year	12,707	1,388	–	189	19,039	4,153
2010						
Gross balance at the beginning of the year	5,316	1,388	–	185	6,712	5,813
Accumulated amortisation and impairment losses at the beginning of the year	–	–	–	–	(1,771)	(2,787)
Net balance at the beginning of the year	5,316	1,388	–	185	4,941	3,026
Acquisitions and initial contributions	5,894	–	225	–	13,914	1,659
Amortisation	–	–	(208)	–	(925)	(1,378)
Disposals	–	–	–	–	(248)	(394)
Net foreign currency differences on translation of foreign operations	(561)	–	6	–	(11)	60
Net balance at the end of the year	10,649	1,388	23	185	17,671	2,973

Impairment losses recognised

No impairment losses in relation to goodwill have been recognised in the year ended 30 June 2011 (2010: $nil).

NOTE 19 – GOODWILL AND OTHER INTANGIBLE ASSETS (continued)	2011 $'000	2010 $'000
Impairment tests for cash-generating units containing goodwill		
The following units have carrying amounts of goodwill:		
Cinema Exhibition New Zealand	5,737	6,120
Cinema Exhibition Germany – cinema joint venture	3,471	3,683
Multiple units without significant goodwill	3,499	846
	12,707	10,649

The recoverable value of goodwill relating to the Event Cinemas exhibition business in New Zealand and goodwill relating to the Group's share of a cinema joint venture in Germany has been determined by a value in use calculation. This calculation uses cash flow projections based on actual operating results and projected five year results, with cash flows beyond the five year period being projected using a per annum growth rate of 2%, which is considered appropriate given economic indicators and the expected long term increase in revenue and operating costs in these markets. Pre-tax discount rates of 12.2% and 12.65% per annum have been used in discounting the projected cash flows. In management's assessment, there are no reasonable possible changes in assumptions that would give rise to an impairment.

NOTE 20 – OTHER NON-CURRENT ASSETS	2011 $'000	2010 $'000
Security deposits in respect of long term operating leases	1,633	4,034
Wildlife	640	640
Operating lease payments paid in advance	1,021	1,083
Sundry	1,695	2,023
	4,989	7,780

NOTE 21 – TRADE AND OTHER PAYABLES		
Trade payables	24,074	24,505
Other payables and accruals	51,854	49,532
	75,928	74,037

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

NOTE 22 – LOANS AND BORROWINGS		Note	2011 $'000	2010 $'000
Current				
Interest bearing liabilities and borrowings				
Loans from associates	– unsecured		–	916
Lease liabilities	– secured	31	–	3,934
			–	4,850
Non-interest bearing loans				
Loans from other companies	– unsecured		219	391
			219	5,241
Non-current				
Interest bearing liabilities and borrowings				
Bank loans	– secured	23	46,321	40,624
Deferred financing costs			(299)	(490)
			46,022	40,134
Non-interest bearing loans				
Loans from other companies	– unsecured		1,197	1,247
			47,219	41,381

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

NOTE 23 – FINANCING ARRANGEMENTS

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

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

The above facilities mature on 10 July 2012. Refinancing of bank facilities will be undertaken prior to 30 June 2012. These facilities are supported by interlocking guarantees from most Group entities and are secured by specific property mortgages (refer Note 17). Debt drawn under these facilities bears interest at the relevant inter-bank benchmark reference rate plus a margin of between 0.45% and 0.90% per annum. At 30 June 2011, the Group had drawn $46,321,000 (2010: $40,624,000) under the debt facilities, of which 17% (2010: 20%) was subject to interest rate swaps used for hedging.

Other loans – Germany
In addition to the above facilities, wholly owned subsidiaries in Germany have a working capital facility totalling €9,000,000 (A$12,154,000), secured by a letter of credit and bank guarantees drawn under the credit support facility in Australia. Debt drawn under this facility bears interest at the relevant inter-bank benchmark reference rate plus a margin of 0.80% per annum. This facility is subject to annual review. At 30 June 2011, the Group had no debt drawn under this facility (2010: $nil).

Finance lease liability – Germany
During the year to 30 June 2011, a wholly owned subsidiary in Germany had a property finance lease which was fully paid by period end (2010: A$3,934,000 outstanding). This lease bore interest at the relevant inter-bank benchmark reference rate plus a margin of 1.75% per annum.

NOTE 24 – PROVISIONS	Note	2011 $'000	2010 $'000
Current			
Employee benefits	30	14,683	13,566
Onerous contracts		861	2,766
Insurance loss contingencies and other claims		222	311
		15,766	16,643
Non-current			
Employee benefits	30	2,240	2,085
Onerous contracts		477	1,344
Decommissioning of leasehold improvements		6,589	7,480
		9,306	10,909
Movements in provisions			
Movements in the carrying amounts of each class of provisions, except for employee benefits, are set out below:			
Onerous contracts			
Carrying amount at the beginning of the year		4,110	–
Provisions assumed through entities acquired	34	–	2,163
Adjustment to provisions assumed through entities acquired		647	–
Provisions utilised		(3,096)	(309)
Provisions made		–	2,201
Provisions for lease costs released		(84)	–
Net foreign currency differences on translation of foreign operations		(239)	55
Carrying amount at the end of the year		1,338	4,110

NOTE 24 – PROVISIONS (continued)	Note	2011 $'000	2010 $'000
Insurance loss contingencies and other claims			
Carrying amount at the beginning of the year		311	757
Payments		(60)	(97)
Provisions		53	27
Provisions reversed		(82)	(376)
Carrying amount at the end of the year		222	311
Decommissioning of leasehold improvements			
Carrying amount at the beginning of the year		7,480	7,559
Provision assumed through entities acquired	34	–	1,096
Provisions		524	–
Provisions reversed		(1,209)	(137)
Notional interest		168	100
Net foreign currency differences on translation of foreign operations		(374)	(1,138)
Carrying amount at the end of the year		6,589	7,480

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

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

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

NOTE 25 – OTHER LIABILITIES	Note	2011 $'000	2010 $'000
Current			
Derivatives at fair value	29	231	617
Contract deposits received in advance		4,996	6,658
Lease incentives deferred		364	383
Deferred income – VAT dispute		9,886	–
		15,477	7,658
Non-current			
Derivatives at fair value	29	–	197
Lease incentives deferred		4,862	5,500
		4,862	5,697

NOTE 26 – SHARE CAPITAL	2011 Shares	2010 Shares	2011 $'000	2010 $'000
Share capital				
Fully paid ordinary shares	159,800,346	159,196,899	219,126	219,126
Movements in share capital				
Balance at the beginning of the year	159,196,899	130,396,203	219,126	101,353
Shares issued under the renounceable pro-rata entitlement offer	–	26,080,088	–	105,987
Shares issued under the Dividend Reinvestment Plan	–	2,150,415	–	11,786
Performance shares issued under the Executive Performance Share Plan	603,447	570,193	–	–
Balance at the end of the year	159,800,346	159,196,899	219,126	219,126
Share capital consists of:				
Ordinary shares – unrestricted	157,443,533	157,266,021		
Employee Share Plan	171,720	174,620		
Tax Exempt Share Plan	28,315	14,478		
Performance shares	2,156,778	1,741,780		
	159,800,346	159,196,899		

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

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

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

Dividend Reinvestment Plan
In the prior year to 30 June 2010, a Dividend Reinvestment Plan was activated for the interim 2010 dividend paid on 29 March 2010. A total of 2,150,415 shares were issued under the plan at $5.48 per share. The plan was suspended in August 2010.

Employee and executive share plans
Information relating to the plans is set out in Note 30.

Options
There are no share options on issue as at 30 June 2011.

Renounceable pro-rata entitlement offer
During the prior year to 30 June 2010, the Company issued 26,080,088 ordinary shares at $4.10 per share under a renounceable pro-rata entitlement offer to shareholders. The offer was announced on 3 November 2009 and new shares were issued on 8 December 2009. Net proceeds from this offer were $105,584,000, before recognition of a deferred tax asset of $403,000 relating to the future deductibility of issue costs.

NOTE 27 – RESERVES AND RETAINED EARNINGS	2011 $'000	2010 $'000
Reserves		
Available-for-sale investments revaluation	7,578	7,357
Investment property revaluation	3,820	3,820
Hedging	(463)	(71)
Share-based payments	8,581	6,339
Foreign currency translation	(13,430)	(17,342)
	6,086	103
Movements in reserves		
Available-for-sale investments revaluation reserve		
Balance at the beginning of the year	7,357	6,598
Movement in fair value – net of tax	221	759
Balance at the end of the year	7,578	7,357
Investment property revaluation reserve		
Balance at the beginning of the year	3,820	3,820
Balance at the end of the year	3,820	3,820
Hedging reserve		
Balance at the beginning of the year	(71)	(1,473)
Movement in fair value of cash flow hedging instruments – net of tax	(392)	1,402
Balance at the end of the year	(463)	(71)
Share-based payments reserve		
Balance at the beginning of the year	6,339	4,581
Amount recognised in the Income Statement as an employee expense	1,949	1,494
Amount charged to related entities	78	47
Other adjustments	215	217
Balance at the end of the year	8,581	6,339
Foreign currency translation reserve		
Balance at the beginning of the year	(17,342)	(7,359)
Transfer to retained earnings on sale of interest in overseas associate	9,657	–
Currency translation adjustment on controlled foreign entities' financial statements	(3,372)	(7,744)
Decrement on foreign currency translation of share of associates' net assets	(2,373)	(2,239)
Balance at the end of the year	(13,430)	(17,342)

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

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

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

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

NOTE 27 – RESERVES AND RETAINED EARNINGS (continued)

Foreign currency translation reserve

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

	2011 $'000	2010 $'000
Retained earnings		
Balance at the beginning of the year	540,957	491,475
Profit attributable to equity holders of the Company	139,831	98,772
Dividends paid	(58,987)	(49,290)
Balance at the end of the year	621,801	540,957

NOTE 28 – PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended, 30 June 2011, the parent entity of the Group was Amalgamated Holdings Limited.

	2011 $'000	2010 $'000
Results of parent entity		
Profit for the year	133,437	77,932
Other comprehensive income	1,431	1,817
Total comprehensive income for the year	134,868	79,749
Financial position of parent entity at year end		
Current assets	430	310
Total assets	476,823	386,740
Current liabilities	9,953	10,840
Total liabilities	27,634	14,462
Net assets	449,189	372,278
Total equity of parent entity comprises of:		
Share capital	219,126	219,126
Reserves		
– Available-for-sale investments revaluation	7,578	7,357
– Share-based payments	8,581	6,339
Retained earnings	213,904	139,456
	449,189	372,278

NOTE 28 – PARENT ENTITY DISCLOSURES (continued)	2011 $'000	2010 $'000
Parent entity commitments		
Operating lease commitments – as lessee		
Future minimum operating lease rental not provided for and payable:		
Not later than one year	1,828	134
Later than one year but not later than five years	5,009	–
Later than five years	–	–
	6,837	134
Parent entity contingencies		
Details of contingent liabilities for the parent entity which although considered remote the directors consider should be disclosed, are as follows:		
Controlled entities		
The Company has guaranteed the obligations of some subsidiary entities in respect of a number of operating lease commitments. Operating lease commitments of subsidiary entities that have been guaranteed are due:		
Not later than one year	59,081	63,582
Later than one year but not later than five years	127,119	136,582
Later than five years	144,559	167,629
	330,759	367,793
The Company has guaranteed the Group's share of other commitments in respect of financing and other arrangements of certain subsidiary entities	871	924
The Company has guaranteed finance lease commitments of a subsidiary	–	537
Jointly controlled entities		
The Company has guaranteed lease commitments of certain jointly controlled entities. Operating lease commitments of jointly controlled entities guaranteed are due:		
Not later than one year	28,179	29,076
Later than one year but not later than five years	107,504	107,221
Later than five years	120,658	143,537
	256,341	279,834
	587,971	649,088

Parent entity guarantees

In respect of debts of its subsidiaries

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

In respect of bank debt facilities

The Company is a guarantor under the Group's secured bank debt facilities, as disclosed in Note 23.

NOTE 29 – FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

At 30 June 2011, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

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

	Note	2011 $'000	2010 $'000
The Group's exposure to credit risk			
The Group's maximum exposure to credit risk at the reporting date was:			
Unquoted investment in other entities	14	315	312
Available-for-sale financial assets	15	10,762	10,447
Trade and other receivables	11	38,755	50,881
Cash and cash equivalents	10	50,581	45,288
Short term deposits	10	65,000	–
Security deposits in respect of long term operating leases	20	1,633	4,034
		167,046	110,962

NOTE 29 – FINANCIAL RISK MANAGEMENT (continued)	2011 $'000	2010 $'000
The maximum exposure to credit risk for receivables at the reporting date by geographic region was:		
Australia	28,534	39,386
New Zealand	3,808	5,955
Germany and other Euro-zone countries	6,376	5,388
United Kingdom	9	26
Other	28	126
	38,755	50,881
The maximum exposure to credit risk for receivables by reportable segment at the reporting date was:		
Cinema Exhibition – Australia	5,043	5,443
Cinema Exhibition – New Zealand	585	678
Cinema Exhibition – Germany	5,500	5,286
Entertainment Technology	5,174	4,822
Hotels	10,556	9,315
Thredbo Alpine Resort	1,328	359
Leisure/Attractions	228	204
Property and Other Investments	3,962	16,215
Other	6,379	8,559
	38,755	50,881

Liquidity risk

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

The Group's financial liabilities

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

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	Between 6 to 12 months $'000	Between 1 to 2 year(s) $'000	Between 2 to 5 years $'000	Over 5 years $'000
2011							
Non-derivative financial liabilities							
Secured bank loans	46,321	(47,927)	(719)	(765)	(46,443)	–	–
Unsecured non-interest bearing loans from other companies	1,416	(1,416)	(64)	(64)	(186)	(243)	(859)
Trade payables	24,074	(24,074)	(24,074)	–	–	–	–
Other payables and accruals	51,854	(51,854)	(51,854)	–	–	–	–
Derivative financial liabilities/(assets)							
Interest rate swaps used for hedging (net)	221	(213)	(176)	(37)	–	–	–
Forward exchange contracts used for hedging (net)	10	(10)	(10)	–	–	–	–
	123,896	(125,494)	(76,897)	(866)	(46,629)	(243)	(859)

NOTE 29 – FINANCIAL RISK MANAGEMENT (continued)

	Carrying amount $'000	Contractual cash flows $'000	6 months or less $'000	Between 6 to 12 months $'000	Between 1 to 2 year(s) $'000	Between 2 to 5 years $'000	Over 5 years $'000
2010							
Non-derivative financial liabilities							
Secured bank loans	40,624	(44,696)	(742)	(952)	(2,141)	(40,861)	–
Unsecured loans from associates	916	(1,522)	(27)	(28)	(59)	(188)	(1,220)
Lease liabilities	3,934	(4,056)	(2,180)	(1,876)	–	–	–
Unsecured non-interest bearing loans from other companies	1,638	(1,638)	(346)	(319)	(130)	16	(859)
Trade payables	24,505	(24,505)	(24,505)	–	–	–	–
Other payables and accruals	49,532	(49,532)	(49,532)	–	–	–	–
Derivative financial liabilities/(assets)							
Interest rate swaps used for hedging (net)	763	(773)	(327)	(249)	(197)	–	–
Forward exchange contracts used for hedging (net)	51	(51)	(51)	–	–	–	–
	121,963	(126,773)	(77,710)	(3,424)	(2,527)	(41,033)	(2,079)

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

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

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

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

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

	2011 $'000	2010 $'000
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	–	–
	–	–
Variable rate instruments		
Financial assets	110,495	39,918
Financial liabilities	(46,321)	(45,474)
	64,174	(5,556)

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

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. The Group currently hedges interest bearing debt in AUD and NZD with cover at 30 June 2011 extending to March 2012 in AUD and to September 2011 in NZD. At 30 June 2011, due to the low level of Group debt, the Group had only 17% (2010: 20%) of debt hedged.

NOTE 29 – FINANCIAL RISK MANAGEMENT (continued)

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

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

Sensitivity analysis
Sensitivity analysis for fixed rate instruments
The Group accounts for any fixed rate financial assets and liabilities at fair value. The movement in fair value of interest rate swaps that have been deemed ineffective, are accounted for through profit or loss. Where the Group's derivatives (interest rate swaps) qualify for hedge accounting, the movement in fair value of those effective interest rate swaps is accounted for in equity in the hedging reserve. Therefore, only those interest rate swaps that have been deemed ineffective are exposed to market rate changes that would impact on the profit or loss.

At 30 June 2011, if prevailing market interest rates had moved by +/- 1% (100 basis points) per annum from year end rates, the effect on the Group's post-tax profit and equity, assuming all other variables remain constant, would have been as illustrated below:

	Profit or loss expense/(income)		Hedging reserve (gain)/loss	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
2011				
Variable rate instruments	449	(449)	–	–
Interest rate swaps	70	(70)	34	(33)
	519	(519)	34	(33)
2010				
Variable rate instruments	(1)	1	–	–
Interest rate swaps	140	(140)	155	(158)
	139	(139)	155	(158)

The movement in profit is due to the higher or lower interest income or costs resulting from a change in rate receivable or payable on variable rate deposits, debt and net interest rate swaps. The movement in equity in the hedging reserve is due to an increase or decrease in the fair value of derivative instruments designated in cash flow hedges, net of tax.

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

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

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

	2011				2010			
	NZD $'000	EUR $'000	GBP $'000	USD $'000	NZD $'000	EUR $'000	GBP $'000	USD $'000
Cash and cash equivalents	762	24	6	3,090	722	317	33	8,774
Trade receivables	1,178	–	–	–	355	–	–	–
Secured bank loans	(46,321)	–	–	–	(40,624)	–	–	–
Trade payables	(890)	–	–	–	(626)	–	–	–
Gross balance sheet exposure	(45,271)	24	6	3,090	(40,173)	317	33	8,774
Interest rate swaps	(85)	–	–	–	(331)	–	–	–
Forward exchange contracts	–	–	–	(10)	–	–	–	(51)
	(85)	–	–	(10)	(331)	–	–	(51)
Net exposure	(45,356)	24	6	3,080	(40,504)	317	33	8,723

NOTE 29 –FINANCIAL RISK MANAGEMENT (continued)

Sensitivity Analysis

A 10% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2011 would have (decreased)/increased Group equity and profit (pre-tax) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity $'000	Profit or loss $'000
2011		
AUD/NZD +10%	4,218	(122)
AUD/NZD -10%	(5,157)	84
AUD/EUR +10%	–	(2)
AUD/EUR -10%	–	3
AUD/GBP +10%	–	(1)
AUD/GBP -10%	–	1
AUD/USD +10%	(270)	(10)
AUD/USD -10%	331	12
2010		
AUD/NZD +10%	3,723	(35)
AUD/NZD -10%	(4,551)	57
AUD/EUR +10%	–	(29)
AUD/EUR -10%	–	35
AUD/GBP+10%	–	(3)
AUD/GBP -10%	–	4
AUD/USD +10%	(767)	(26)
AUD/USD -10%	938	31

Hedging of net investment in foreign subsidiaries

The Group's NZD denominated bank loan is designated as a hedge of the foreign currency exposure to the Group's net investment in its subsidiaries in New Zealand. The carrying amount of the loan at 30 June 2011 was $46,321,000 (2010: $40,624,000). A foreign exchange profit of $1,764,000 (2010: loss of $1,175,000) was recognised in equity on translation of the loan to AUD.

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

NOTE 29 – FINANCIAL RISK MANAGEMENT (continued)

Fair values

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

	Note	Carrying amount 2011 $'000	Fair value 2011 $'000	Carrying amount 2010 $'000	Fair value 2010 $'000
Cash and cash equivalents	10	50,581	50,581	45,288	45,288
Short term deposits	10	65,000	65,000	–	–
Trade and other receivables	11	38,533	38,533	50,612	50,612
Present value of loans provided under the Employee Share Plan	11	222	222	269	269
Other financial assets	14	315	315	312	312
Available-for-sale financial assets	15	10,762	10,762	10,447	10,447
Security deposits – operating leases	20	1,633	1,633	4,034	4,034
Bank loans	22	(46,022)	(46,321)	(40,134)	(40,624)
Lease liabilities	22	–	–	(3,934)	(3,934)
Loans from associates	22	–	–	(916)	(916)
Loans from other companies	22	(1,416)	(1,416)	(1,638)	(1,638)
Payables	21	(75,928)	(75,928)	(74,037)	(74,037)
Interest rate swaps	25	(221)	(221)	(763)	(763)
Forward exchange contracts	25	(10)	(10)	(51)	(51)
		43,449	43,150	(10,511)	(11,001)

Estimation of fair values

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

Trade and other receivables/payables

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

Quoted investments

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

Interest bearing loans and borrowings

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

Finance lease liabilities

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

Derivatives

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

Interest rates used for determining fair value

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

NOTE 29 – FINANCIAL RISK MANAGEMENT (continued)

Financial instruments fair value determination method grading

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

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

2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Available-for-sale financial assets	10,762	–	–	10,762
Derivative financial liabilities	–	(231)	–	(231)
	10,762	(231)	–	10,531

2010				
Available-for-sale financial assets	10,447	–	–	10,447
Derivative financial liabilities	–	(814)	–	(814)
	10,447	(814)	–	9,633

Capital management

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

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

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

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

No Group entity is subject to externally imposed capital requirements.

NOTE 30 – EMPLOYEE BENEFITS	Note	2011 $'000	2010 $'000
Employee benefits			
Aggregate liability for employee benefits including on-costs:			
Current			
Employee benefits provision	24	14,683	13,566
Non-current			
Employee benefits provision	24	2,240	2,085
		16,923	15,651

Management Share Option Plan

There were no options granted during the year to 30 June 2011 or in the previous financial year.

There are no unissued ordinary shares of the Company under option at 30 June 2011.

There were no options exercised to acquire ordinary shares during the year to 30 June 2011.

NOTE 30 – EMPLOYEE BENEFITS (continued)

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

An employee awarded performance shares is not legally entitled to shares in the Company before the performance shares allocated under the plan vest. However, the employee can vote and receive dividends in respect of shares allocated to them. Once the shares have vested which is dependent on the Group achieving its earnings per share ("EPS") and total shareholder return ("TSR") targets, they remain in the trust (refer Note 1(s)(i)) until the earliest of the employee leaving the Group, the tenth anniversary of the date the performance shares were awarded or the Board approving an application for their release. Award, vesting and exercise under the plan are made for no consideration. The performance period is three years.

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

Type of right	Grant date	Balance at the start of the year Number	Granted Number	Exercised Number	Forfeited shares reallocated Number	Balance at the end of the year [(a)] Number
2011						
Performance shares	16 May 2011	–	50,000	–	–	50,000
Performance shares	23 February 2011	–	603,447	–	–	603,447
Performance shares	28 June 2010	570,193	–	–	–	570,193
Performance shares	23 February 2009	525,051	–	–	–	525,051
Performance shares [(b)]	18 February 2008	357,351	–	(58,836)	–	298,515
Performance shares [(c)]	19 February 2007	289,185	–	(129,613)	(50,000)	109,572
		1,741,780	653,447	(188,449)	(50,000)	2,156,778
2010						
Performance shares	28 June 2010	–	570,193	–	–	570,193
Performance shares	23 February 2009	526,597	–	(1,546)	–	525,051
Performance shares	18 February 2008	357,351	–	–	–	357,351
Performance shares	19 February 2007	330,018	–	(40,833)	–	289,185
		1,213,966	570,193	(42,379)	–	1,741,780

(a) The balance at the end of the year includes a total of 294,234 shares that have been forfeited by employees due to cessation of employment. The forfeited shares are held within the trust and can be utilised for future grants.
(b) The balance at the end of the year for the 2008 performance share plan includes 75,207 forfeited shares.
(c) The balance at the end of the year for the 2007 performance share plan includes 27,262 forfeited shares.

During the year to 30 June 2011, 653,447 performance shares were granted to employees under the plan and 282,144 shares, relating to the 2008 plan issue, vested with employees. Of the shares that have vested from the 2007 and 2008 plan issues, 188,449 shares were exercised and withdrawn from the trust during the year.

During the prior financial year to 30 June 2010, 1,546 performance shares were released from performance hurdle requirements and transferred to a participant on an unrestricted basis. The Board approved transfer was part of the negotiated settlement on termination of the employment of the employee participant.

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

NOTE 30 – EMPLOYEE BENEFITS (continued)

Fair value of performance shares granted
The assessed fair value at grant date of performance shares granted under the Executive Performance Share Plan during the year ended 30 June 2011 was $5.98 (2010 issue: $5.78) for those shares that have EPS hurdles and $3.94 (2010 issue: $4.72) for those shares that have TSR hurdles. The fair value of each performance share is estimated on the date of grant using a Monte Carlo model with the following weighted average assumptions used for each grant:

	Granted 23 Feb 2011	Granted 28 Jun 2010	Granted 23 Feb 2009
Dividend yield (per annum)	6.2%	6.6%	6.9%
Expected volatility	25%	33%	38%
Risk-free rate (per annum)	5.2%	4.5%	3.1%
Share price (30 day volume weighted average price)	$5.98	$5.78	$4.32
Expected life of incentive	3 years	3 years	3 years

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

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

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

The total number of shares purchased during the year by employees, under the Tax Exempt Share Plan, totalled 15,378 shares (2010: nil shares).

Employee Share Plan
At 30 June 2011, the total shares issued under the plan was 171,720 (2010: 174,620). There were no shares issued during the year. The plan is closed to new members and no offers have been made under the plan since 1998.

The market value of ordinary shares at 30 June 2011 was $5.80 (2010: $5.70).

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

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

	2011 $'000	2010 $'000
Superannuation contributions recognised as an expense	8,172	7,264

NOTE 31 – COMMITMENTS AND LEASES	2011 $'000	2010 $'000
Capital expenditure commitments		
Contracted but not provided for and payable:		
Within one year	11,126	4,783
Operating lease commitments – as lessee		
Future minimum operating lease rentals not provided for and payable:		
Within one year	94,168	93,695
Later than one year but not later than five years	314,493	329,127
Later than five years	321,590	378,383
	730,251	801,205

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

A small number of leases have commitments in respect of contingent rental payments which arise when the operating performance of a site exceeds a pre-determined amount. Also, there are rentals which are determined as the higher of a base rental and a fixed percentage of a defined amount reflecting the operating performance of a site or a base rental plus a fixed percentage of the net profit from the site. Contingent rental payments recognised as an expense in the period for the Group amounted to $3,307,000 (2010: $5,125,000).

	2011 $'000	2010 $'000
Sub-lease receivables – as lessor		
Future lease receivables in relation to sub-leases of property space under operating leases not recognised and receivable:		
Within one year	9,734	9,892
Later than one year but not later than five years	33,047	32,219
Later than five years	254,547	245,880
	297,328	287,991
Operating leases – as lessor		
Future operating lease rentals for owned properties not recognised and receivable:		
Within one year	8,757	10,692
Later than one year but not later than five years	24,738	31,079
Later than five years	44,748	52,340
	78,243	94,111

The Group receives rental income from a number of properties, both leased and owned. With exception to sub-leases under the Thredbo head lease, leases are for periods ranging between one to 15 years and have varying terms, escalation clauses and renewal options. There are approximately 700 sub-leases under the Thredbo head lease. Thredbo sub-leases consist of long term accommodation sub-leases for holiday apartments, chalets and lodges and also retail sub-leases for shops. Long term accommodation sub-leases are typically for periods mirroring the head lease, which was renewed for a further 50 year period on 29 June 2007.

NOTE 31 – COMMITMENTS AND LEASES (continued)	Note	2011 $'000	2010 $'000
Finance lease commitments – as lessee			
Finance lease rentals are payable as follows:			
Within one year		–	4,001
Less: Future lease finance charges		–	(67)
		–	3,934
The present value of lease payments is as follows:			
Within one year		–	3,934
Finance lease liabilities provided for in the accounts:			
Current	22	–	3,934
Total finance lease liabilities		–	3,934

This finance lease was in respect of land and buildings in Germany and concluded in June 2011.

Finance lease commitments – as lessor

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

NOTE 32 – CONTINGENT ASSETS AND LIABILITIES

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

	2011 $'000	2010 $'000
Contingent liabilities		
Jointly controlled entities		
Certain subsidiaries have obligations in respect of the lease commitments for jointly controlled entities. Operating lease commitments of jointly controlled entities not included in the Group's financial statements, for which a controlled entity has obligations, are due:		
Not later than one year	37,939	38,940
Later than one year but not later than five years	130,661	134,658
Later than five years	134,883	161,297
	303,483	334,895

Claim against Group entity for additional charges

A Group entity has received a claim for the payment of additional charges covering the last six years, the basis of which is disputed by the Group entity. It is estimated that the Group's maximum liability under this claim is $668,000 (2010: $510,000), plus interest and legal costs. No provision has been established against this amount as it is currently not considered that the success of this claim is probable.

Claims for personal injury

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

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

NOTE 32 – CONTINGENT ASSETS AND LIABILITIES (continued)

Contingent assets

Taxation – overseas controlled entities

A contingent asset exists at 30 June 2011 amounting to $20,483,000. This amount relates to disputed VAT, totalling $18,921,000, provided for or paid by German controlled and joint venture entities on a number of food products sold during the period since 1 January 2005, plus potential interest receivable thereon of $1,562,000. In March 2011, the European Court of Justice ruled in favour of the arguments presented by a competitor on a similar issue. Following this decision, the local tax authority has made preliminary refunds to the Group totalling $9,886,000 to 30 June 2011 and covering the earlier years of the dispute. Preliminary refunds received, which are included in the above contingent asset amount, have not been recognised as income and are held on the Statement of Financial Position as a current liability as at 30 June 2011.

At 30 June 2011, the German Federal Fiscal Court had not made a final determination on this case, which was required to resolve the dispute. A favourable outcome to this dispute was considered probable at 30 June 2011; however, not virtually certain due to the outstanding Court decision. Subsequent to balance date, on 18 August 2011, the German Federal Fiscal Court delivered its decision on the competitor's case, which was consistent with the earlier decision by the European Court of Justice. Barring any unforeseen circumstances, it is expected that this contingent asset will be recognised as income in the financial year to 30 June 2012; refer Note 41 – Events Subsequent to Reporting Date.

NOTE 33 – DEED OF CROSS GUARANTEE

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

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

The subsidiaries subject to the deed are:

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

NOTE 33 – DEED OF CROSS GUARANTEE (continued)

A consolidated Income Statement and consolidated Statement of Financial Position, comprising the Company and controlled entities which are a party to the deed, after eliminating all transactions between parties to the deed, at 30 June 2011 are set out as follows:

	2011 $'000	2010 $'000
Income Statement		
Profit before tax	169,983	112,482
Income tax expense	(28,973)	(28,909)
Profit after income tax but before discontinued operations	141,010	83,573
Profit after tax from discontinued operations	–	–
Profit after income tax and discontinued operations	141,010	83,573
Retained earnings at the beginning of the year	510,615	476,332
Dividends paid during the year	(58,987)	(49,290)
Retained earnings at the end of the year	592,638	510,615
Statement of Financial Position		
ASSETS		
Cash and cash equivalents	17,983	25,667
Short term deposits	65,000	–
Trade and other receivables	21,762	34,676
Inventories	18,665	15,162
Prepayments and other sundry assets	2,354	3,781
Total current assets	125,764	79,286
Trade and other receivables	310	405
Loans to controlled entities	152,707	127,572
Investments in controlled entities	93,397	96,712
Other financial assets	310	310
Available-for-sale financial assets	10,762	10,447
Investments accounted for using the equity method	106,209	99,417
Property, plant and equipment	415,220	403,177
Investment properties	79,350	78,875
Goodwill and other intangible assets	24,098	19,216
Deferred tax assets	–	3,649
Other non-current assets	1,595	3,530
Total non-current assets	883,958	843,310
Total assets	1,009,722	922,596
LIABILITIES		
Trade and other payables	24,222	35,121
Current tax liabilities	5,261	10,359
Provisions	12,463	11,674
Deferred revenue	32,559	30,471
Other liabilities	15,113	7,275
Total current liabilities	89,618	94,900
Loans from controlled entities	29,669	29,669
Other loans and borrowings	46,881	40,993
Deferred tax liabilities	62	–
Provisions	2,941	2,821
Deferred revenue	3,926	2,937
Other non-current liabilities	–	197
Total non-current liabilities	83,479	76,617
Total liabilities	173,097	171,517
Net assets	836,625	751,079
EQUITY		
Share capital	219,126	219,126
Reserves	24,861	21,338
Retained earnings	592,638	510,615
Total equity	836,625	751,079

NOTE 34 – BUSINESS COMBINATIONS

2011
Businesses in Australia
On 28 July 2010, the Group acquired the Moonlight Cinema business for cash consideration of $1,750,000. The Group incurred acquisition related costs of $27,000 related to external legal fees and due diligence. These costs have been expensed in the Group's Income Statement. Moonlight Cinema is an outdoor cinema operation with five sites screening films in Melbourne, Sydney, Perth, Brisbane and Adelaide during the three month summer season. This acquisition adds to the diversity of the Group's Australian cinema circuit.

On 24 May 2011, the Group acquired Ducks Nuts Bar and Grill for consideration of $1,050,000. The Group incurred acquisition related costs of $46,000 related to external legal fees and due diligence. These costs have been included in other operating expenses in the Group's Income Statement. Ducks Nuts Bar and Grill is a gaming and bar business situated in Darwin, Northern Territory.

Since the dates of acquisition to 30 June 2011, these two businesses contributed revenue of $4,523,000 and a profit before tax of $12,000. If the businesses had been acquired on 1 July 2010, management estimates that revenue contributed would have been $8,650,000 and the profit before tax contributed for the period would have been $348,000.

The combined fair value of net tangibles assets and liabilities acquired as part of the above acquisitions amounted to $209,000, which largely comprised plant and equipment and inventories. As a result of the acquisitions, intangible assets, being goodwill, increased by $2,653,000.

Identifiable assets acquired and liabilities assumed	**Fair value at acquisition date $'000**
Cash and cash equivalents	33
Plant, equipment and leasehold improvements	224
Employee entitlements	(13)
Inventories and prepayments	131
Deferred revenue	(90)
Other liabilities	(76)
Total net value of identifiable assets and liabilities	209

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

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

	$'000
Total cash consideration paid	2,800
Add: Payment for net working capital balances	62
Subtotal	2,862
Less: Value of identifiable assets and liabilities	209
Goodwill	2,653

Goodwill was attributable mainly to market position and existing know how in the two businesses.

NOTE 34 – BUSINESS COMBINATIONS (continued)

2010

Cinema business in New Zealand and Fiji

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

The purchase price was NZD61,100,000 (AUD47,817,000) before a recovery of NZD5,009,000 (AUD3,920,000) for the working capital balances as at the acquisition date. The business included 14 cinemas with 106 screens located throughout New Zealand, a 50% interest in Rialto Cinemas in New Zealand (three cinemas with 16 screens) and a 66.67% interest in SKYCITY Cinemas Fiji (two cinemas with 10 screens). All cinema properties in New Zealand were leasehold, whereas the sites in Fiji were owned. The acquisition of this business was considered an appropriate strategic addition to the Group's existing cinema businesses.

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

Since the date of acquisition to 30 June 2010, the New Zealand cinema business, including the Group's interest in the Rialto Cinemas and Fiji Cinemas, contributed revenue of $21,970,000 and a profit before tax of $694,000. If this business had been acquired on 1 July 2009, management estimates that revenue contributed would have been $76,000,000 and the profit before tax contributed for the period would have been $6,100,000. In determining the above estimated profit amount for the period from 1 July 2009, management has taken into account the impact of the fair value adjustments made at acquisition as if they had occurred on 1 July 2009.

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

The above fair values of identifiable assets and liabilities were determined based upon the information available as at 30 June 2010. Subsequent to this initial fair value assessment, a minor adjustment to provisions totalling $87,000 has been made.

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

NOTE 34 – BUSINESS COMBINATIONS (continued)

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

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

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

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

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

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

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

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

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

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

The above fair values of identifiable assets and liabilities have been determined based upon the information available as at 30 June 2010.

NOTE 34 – BUSINESS COMBINATIONS (continued)

Leasehold and management rights

Leasehold and management rights recognised as an intangible asset in the Statement of Financial Position from 1 July 2009 to 30 June 2010 as a result of these acquisitions, was determined as follows:

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

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

Acquisition related costs incurred

The Group incurred acquisition related costs of $979,000 in respect of the above acquisitions from 1 July 2009 during the financial year to 30 June 2010, which related largely to legal fees and due diligence costs. These costs have been expensed within the Cinema Exhibition Australia segment during the period and have been included in the Group's Income Statement.

NOTE 35 – PARTICULARS IN RELATION TO CONSOLIDATED ENTITIES

	Note	Ownership interest 2011 %	2010 %
Company (parent entity)			
Amalgamated Holdings Limited			
Subsidiaries			
AHL Administration Pty Limited		100	100
Albury Hotel Property Unit Trust		100	–
Amalgamated Cinema Holdings Limited	(a)(d)	100	100
Amalgamated Holdings Superannuation Fund Pty Limited		100	100
Ancona Investments Pty Limited		100	100
Birch, Carroll & Coyle Limited		100	100
BLN Hotels Property Unit Trust		100	100
Bryson Centre Unit Trust		100	100
Bryson Hotel Property Unit Trust		100	100
Bryson Hotel Pty Limited		100	100
Canberra Theatres Limited		100	100
CMS Cinema Management Services GmbH	(a)(f)	100	100
CMS Cinema Verwaltungs GmbH	(a)(f)	100	100
Digital Cinema Integration Partners Pty Limited	(i)	–	100
Edge Digital Cinema Pty Limited		100	–
Edge Digital Technology Pty Limited		100	100
Edge Investments BV	(a)(e)	100	100
Elsternwick Properties Pty Limited		100	100
Event Cinemas (Fiji) Limited	(h)	100	100
Event Cinemas Limited	(a)(d)	100	100
Event Cinemas New Plymouth Limited	(a)(d)	100	100
Event Cinemas Nominees Limited	(a)(d)	100	100
Event Cinemas (NZ) Limited	(a)(d)	100	100
Event Cinemas Queen Street Nominees Limited	(a)(d)	100	100
Event Distribution Limited	(a)(d)	100	100
Featherdale Farm & Aviaries Pty Limited		100	100
Featherdale Holdings Pty Limited		100	100
Filmlab Engineering Pty Limited		100	100

NOTE 35 – PARTICULARS IN RELATION TO CONSOLIDATED ENTITIES (continued)	Note	Ownership interest 2011 %	2010 %
Subsidiaries			
Filmpalast am ZKM Karlsruhe Beteiligungs GmbH	(a)(f)	100	100
Filmpalast Konstanz Beteiligungs GmbH	(a)(f)	100	100
Glenelg Theatres Pty Limited		100	100
Greater Entertainment Pty Limited		100	100
Greater Occasions Australia Pty Limited		100	100
Greater Union Betriebsmittel GmbH	(a)(f)	100	100
Greater Union Filmpalast Cubix in Berlin GmbH	(a)(f)	100	–
Greater Union Filmpalast Dortmund GmbH & Co. KG	(a)(f)	100	100
Greater Union Filmpalast GmbH	(a)(f)	100	100
Greater Union Filmpalast Rhein-Main GmbH	(a)(f)	100	100
Greater Union Holdings Limited	(b)	100	100
Greater Union in der Kulturbrauerei GmbH	(a)(f)	100	–
Greater Union in Hamburg GmbH	(a)(f)	100	–
Greater Union International BV	(a)(e)	100	100
Greater Union International GmbH	(f)	100	100
Greater Union International Holdings Pty Limited		100	100
Greater Union Limited	(c)	100	100
Greater Union Nominees Pty Limited		100	100
Greater Union Screen Entertainment Pty Limited		100	100
Greater Union Theaters Dritte GmbH & Co. KG	(a)(f)	100	100
Greater Union Theaters Dritte Verwaltungs GmbH	(a)(f)	100	100
Greater Union Theaters GmbH	(a)(f)	100	100
Greater Union Theaters Mainz GmbH & Co. KG	(a)(f)	100	100
Greater Union Theaters Management Mainz GmbH	(a)(f)	100	100
Greater Union Theaters Verwaltungs GmbH	(a)(f)	100	100
Greater Union Theaters Zweite GmbH & Co. KG	(a)(f)	100	100
Greater Union Theaters Zweite Verwaltungs GmbH	(a)(f)	100	100
Greattheatre Pty Limited		100	100
GUO Investments (WA) Pty Limited		100	100
Gutace Holdings Pty Limited		100	100
Haparanda Pty Limited		100	100
Haymarket's Tivoli Theatres Pty Limited		100	100
Kidsports Australia Pty Limited		100	100
Kosciuszko Thredbo Pty Limited		100	100
KTPL Unit Trust		100	100
Kvarken Pty Limited		100	100
Lakeside Hotel Property Unit Trust		100	100
Lakeside Hotel Pty Limited		100	100
Lakeside International Hotel Unit Trust		100	100
Mamasa Pty Limited		100	100
Multiplex Cinemas Magdeburg GmbH	(a)(f)	100	100
Multiplex Cinemas Oberhausen GmbH	(a)(f)	100	100
Neue Filmpalast Erste GmbH & Co. KG	(a)(f)	100	100
Neue Filmpalast Erste Verwaltungs GmbH	(a)(f)	100	100
Neue Filmpalast GmbH & Co. KG	(a)(f)	100	100
Neue Filmpalast Management GmbH	(a)(f)	100	100
Noahs Hotels (NZ) Limited	(a)(d)	100	100
Noahs Limited		100	100
Northside Gardens Hotel Property Unit Trust		100	100
Northside Gardens Hotel Pty Limited		100	100
Pantami Pty Limited		100	100
QT Hotels and Resorts Pty Limited		100	100
Red Carpet Event GmbH	(a)(f)	100	100
RH Hotels Pty Limited		100	100
RQ Motels Pty Limited		100	100

NOTE 35 – PARTICULARS IN RELATION TO CONSOLIDATED ENTITIES (continued)	Note	Ownership interest 2011 %	2010 %
Subsidiaries			
Rydges Bankstown Pty Limited		100	100
Rydges Cronulla Pty Limited		100	100
Rydges GCI Pty Limited		100	100
Rydges Gladstone Hotel Property Unit Trust		100	100
Rydges Hobart Hotel Property Unit Trust		100	100
Rydges Hobart Hotel Pty Limited		100	100
Rydges Hotels Limited		100	100
Rydges Hotels Property Unit Trust		100	100
Rydges Hotels Resorts Asia Pte Limited	(g)	–	100
Rydges HPT Pty Limited		100	100
Rydges Property Holdings Pty Limited		100	100
Rydges Queenstown Hotel Limited	(a)(d)	100	100
Rydges Rotorua Hotel Limited	(a)(d)	100	–
Rydges Townsville Hotel Property Unit Trust		100	100
Sabaya Port Douglas Pty Limited		100	100
Sonata Hotels Pty Limited		100	100
Sunshine Cinemas Pty Limited		100	100
Tannahill Pty Limited		100	100
The Geelong Theatre Company Limited		100	100
The Greater Union Organisation Pty Limited		100	100
Thredbo Resort Centre Pty Limited		100	100
Tobeon Pty Limited		100	100
Tourism & Leisure Pty Limited		100	100
Turmpalast Frankfurt GmbH & Co. KG	(a)(f)	100	100
Turmpalast Frankfurt Management GmbH	(a)(f)	100	100
Vierte Kinoabspielstatten GmbH & Co. KG	(a)(f)	100	100
Vierte Kinoabspielstatten Verwaltungs GmbH	(a)(f)	100	100
Western Australia Cinemas Pty Limited		100	100
Zollverein Pty Limited		100	100
Zweite Kinoabspielstatten GmbH & Co. KG	(a)(f)	100	100
Zweite Kinoabspielstatten Verwaltungs GmbH	(a)(f)	100	100

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

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

NOTE 36 – INVESTMENTS IN ASSOCIATES

		Interest		Investment carrying amount		Contribution to operating profit/(loss)	
Name	Principal activities	2011 %	2010 %	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cinesound Movietone Productions Pty Limited	Film owner and distributor	50	50	151	167	(16)	13
Digital Cinema Integration Partners Pty Ltd	Administration	48	–	–	–	–	–
MAF Greater Union LLC	Film exhibitor	(e) –	49	–	13,202	1,978	9,005
Rydges Rotorua Hotel Limited	Hotel owner	(f) –	25	–	1,668	33	(d) (215)
				151	15,037	1,995	8,803
Less: Discontinued Operations – MAF Greater Union LLC (Note 5)						(1,978)	(9,005)
						17	(202)

(a) Dividends received from associates for the year ended 30 June 2011 amount to $4,400,000 (2010: $7,831,000).
(b) Cinesound Movietone Productions Pty Limited and Digital Cinema Integration Partners Pty Ltd were incorporated in Australia. MAF Greater Union LLC was incorporated in the United Arab Emirates. Rydges Rotorua Hotel Limited was incorporated in New Zealand.
(c) The balance date of all associates is 30 June, with the exception of MAF Greater Union LLC which has a balance date of 31 December.
(d) Share of loss for the year ended 30 June 2010 includes the negative impact, amounting to $294,000, arising from the restatement of deferred tax balances due to the reduction of the company tax rate and elimination of building depreciation for tax in New Zealand.
(e) The Group's 49% interest in MAF Greater Union LLC was sold on 25 October 2010 (refer Note 5).
(f) The Group acquired the remaining 75% interest in Rydges Rotorua Hotel Limited effective 1 December 2010.

NOTE 36 – INVESTMENTS IN ASSOCIATES (continued)	2011 $'000	2010 $'000
Summarised financial information relating to associates		
Aggregate assets, liabilities, revenues and net profit of associates, not adjusted for the percentage ownership held by the Group, is as follows:		
Revenues – as reported by associates	17,072	62,633
Net profit – as reported by associates	4,136	17,603
Current assets	465	24,816
Non-current assets	15	33,162
Total assets – as reported by associates	480	57,978
Current liabilities	179	10,388
Non-current liabilities	–	5,240
Total liabilities – as reported by associates	179	15,628
Net assets – as reported by associates	301	42,350
Group's share of net assets of associates	151	19,161
Adjustments arising from equity accounting:		
Foreign exchange translation	–	(4,124)
Carrying value of investments in associates	151	15,037
Movements in carrying amount of associates		
Carrying amount of associates at the beginning of the year	15,037	16,304
Foreign currency translation movements	(2,373)	(2,239)
Share of associates' net profit	1,995	8,803
Distributions received	(4,400)	(7,831)
Disposals	(10,108)	–
Carrying amount of associates at the end of the year	151	15,037
Commitments		
Share of associates' capital expenditure commitments contracted but not provided for or payable:		
Not later than one year	–	1,661
Share of associates' operating lease commitments contracted but not provided for or payable:		
Not later than one year	–	3,438
Later than one year but not later than five years	–	8,994
Later than five years	–	4,420
	–	16,852

Contingent liabilities

There are no contingent liabilities within associates as at 30 June 2011 (2010: $nil).

NOTE 37 – INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Name	Principal activities	Nature of interest	Profit share 2011 %	Profit share 2010 %	Investment carrying amount 2011 $'000	Investment carrying amount 2010 $'000	Share of sales revenue 2011 $'000	Share of sales revenue 2010 $'000	Contribution to operating profit 2011 $'000	Contribution to operating profit 2010 $'000
Australian Theatres Joint Venture	Operator of multiscreen cinema complexes	Share of joint venture assets	50	50	90,278	85,553	166,876	172,971	24,059	31,277 [e]
Browns Plains Multiplex Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	33	33	304	278	1,414	1,454	55	103
Castle Hill Multiplex Cinema Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	33	33	4,635	4,464	6,408	6,498	816	635
Casuarina Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	50	50	3,752	3,553	12,798	13,036	2,999	2,949
Fiji Cinema Joint Venture	Operator of multiscreen cinema complexes	Share of joint venture assets	[b][d] 66.7	[b][d] 66.7	4,279	4,621	2,739	973	677	226
Filmpalast am ZKM Karlsruhe GmbH & Co. KG	Operator of a multiscreen cinema complex	Equity share	[a] 50	[a] 50	1,226	2,345	8,365	11,574	1,694	1,006 [f]
Filmpalast Konstanz GmbH & Co. KG	Operator of a multiscreen cinema complex	Equity share	[a] 50	[a] 50	548	507	2,815	3,581	593	513 [f]
Garden City Cinema Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	33	33	3,290	2,810	4,520	4,854	930	1,118
Geelong Cinema Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	[c] 50	[c] 50	636	(171)	4,111	4,337	495	609
Jam Factory Cinema Operations Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	50	50	832	501	7,881	8,176	19	135
Rialto Joint Venture	Operator of multiscreen cinema complexes	Share of joint venture assets	[b] 50	[b] 50	2,212	2,524	2,551	1,099	(137)	49
Southport 6 Cinemas Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	[d] 51	[d] 51	1,301	1,303	3,592	2,852	589	195
Toowoomba Cinema Centre Joint Venture	Operator of a multiscreen cinema complex	Share of joint venture assets	50	50	1,031	959	4,292	4,470	671	897
					114,324	109,247	228,362	235,875	33,460	39,712

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

NOTE 37 – INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (continued)

During the year, the cinema joint ventures purchased management and consulting services of $5,772,000 (2010: $5,676,000), capital equipment of $8,096,000 (2010: $7,505,000), block and artwork of $131,000 (2010: $133,000) and other services of $328,000 (2010: $304,000) from the Group. These transactions were on normal commercial terms.

	2011 $'000	2010 $'000
The Group's aggregate share of the jointly controlled entities' assets and liabilities consists of:		
Current assets	21,925	26,145
Non-current assets	87,183	82,237
Total assets	109,108	108,382
Current liabilities	26,186	29,623
Non-current liabilities	2,156	1,831
Total liabilities	28,342	31,454
Net assets	80,766	76,928
Movements in carrying amount of jointly controlled entities		
Carrying amount of jointly controlled entities at the beginning of the year	109,247	101,446
Net additional investments	1,000	98
Additions through entity acquired	–	6,966
Share of profit	33,460	39,712
Distributions received	(28,759)	(37,526)
Transfer on acquisition of remaining ownership interest	–	(1,233)
Foreign currency translation movements	(583)	(170)
Amortisation of capitalised interest	(32)	(33)
Other	(9)	(13)
Carrying amount of jointly controlled entities at the end of the year	114,324	109,247

Refer to Note 32 for details of contingent liabilities.

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES

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

Section of Remuneration Report	Directors' Report page reference
Non-executive director remuneration	26
Managing Director and executive remuneration	27
Fixed annual remuneration	27
Variable remuneration – short term incentive	27
Variable remuneration – long term incentive	28
Employment contracts	30
Directors' and executives' position and period of responsibility	31
Directors' and executives' remuneration	32

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Directors

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

Name	Position	Period of responsibility
AG Rydge	Non-executive director and Chairman	1 July 2010 to 30 June 2011
AJ Clark	Non-executive director and lead independent director	1 July 2010 to 30 June 2011
KG Chapman	Non-executive director	1 July 2010 to 30 June 2011
PR Coates	Non-executive director	1 July 2010 to 30 June 2011
VA Davies	Non-executive director	20 April 2011 to 30 June 2011
RM Graham	Non-executive director	1 July 2010 to 20 April 2011
RG Newton	Non-executive director	1 July 2010 to 30 June 2011
DC Seargeant	Managing Director and Chief Executive Officer	1 July 2010 to 30 June 2011

Other key management personnel

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

Name	Position and employer	Period of responsibility
NC Arundel	Managing Director Rydges Hotels & Resorts Rydges Hotels Limited	1 July 2010 to 30 June 2011
PC Bourke	Director of Information Technology Amalgamated Holdings Limited	1 July 2010 to 30 June 2011
GC Dean	Company Secretary Amalgamated Holdings Limited	1 July 2010 to 30 June 2011
MR Duff	Director Commercial Amalgamated Holdings Limited	1 July 2010 to 30 June 2011
HR Eberstaller	Managing Director AHL Strategic Investments The Greater Union Organisation Pty Limited	1 July 2010 to 30 June 2011
JM Hastings	General Manager Entertainment – Australia and New Zealand The Greater Union Organisation Pty Limited	16 May 2011 to 30 June 2011
PW Horton	Director Finance & Accounting Amalgamated Holdings Limited	1 July 2010 to 30 June 2011
KJ Kobishop	Corporate Director of Food and Beverage Amalgamated Holdings Limited	1 July 2010 to 31 August 2010

All of the above persons were also key management persons during the whole of the year ended 30 June 2010, with the exception of:

- KG Chapman who was appointed a director on 18 February 2010;
- PR Coates who was appointed a director on 10 July 2009;
- PC Bourke who commenced with the Group on 19 April 2010; and
- JM Hastings who was appointed to the key management position on 16 May 2011.

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Key management personnel remuneration

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

	2011 $	2010 $
Employee benefits		
Short term	6,778,572	7,347,347
Other long term	106,795	97,562
Termination payments	242,437	–
Post-employment	151,697	120,040
Equity compensation	1,178,407	899,336
	8,457,908	8,464,285

Option holdings and transactions

There were no options over ordinary shares in Amalgamated Holdings Limited held directly, indirectly or beneficially, by each key management personnel, including their related parties.

There are no outstanding options at 30 June 2011 (2010: nil). No options have been granted since the end of the year.

Performance share holdings and transactions

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

		Held at the beginning of the year	Granted	Exercised	Forfeited	Held at the end of the year
Director						
DC Seargeant	2011	580,000	210,000	(100,000)	–	690,000
	2010	340,000	240,000	–	–	580,000
Executives						
NC Arundel	2011	57,217	23,547	–	–	80,764
	2010	44,202	18,987	(5,972)	–	57,217
P C Bourke [(a)]	2011	–	9,174	–	–	9,174
	2010	–	–	–	–	–
GC Dean	2011	43,013	14,717	(16,333)	–	41,397
	2010	31,124	11,889	–	–	43,013
MR Duff	2011	67,590	22,209	–	–	89,799
	2010	49,643	17,947	–	–	67,590
HR Eberstaller	2011	18,820	9,740	–	–	28,560
	2010	10,954	7,866	–	–	18,820
JM Hastings [(b)]	2011	–	50,000	–	–	50,000
	2010	–	–	–	–	–
PW Horton	2011	64,307	19,373	–	–	83,680
	2010	48,485	15,822	–	–	64,307
KJ Kobishop [(c)]	2011	100,000	–	–	(100,000)	–
	2010	100,000	–	–	–	100,000

(a) PC Bourke commenced employment with the Group on 19 April 2010.
(b) JM Hastings was appointed to the key management position on 16 May 2011.
(c) KJ Kobishop ceased employment with the Group on 31 August 2010.

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

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Equity holdings and transactions

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

		Held at the beginning of the year	Purchases	Renounceable pro-rata entitlement offer	Dividend Reinvestment Plan	Received on exercise of options	Received on release of performance shares	Sales	Other [(a)]	Held at the end of the year
Directors										
AG Rydge (Chairman)	2011	71,602,355	232,000	–	–	–	–	–	–	71,834,355
	2010	57,979,154	50,000	11,789,923	1,783,278	–	–	–	–	71,602,355
AJ Clark	2011	65,000	–	–	–	–	–	–	–	65,000
	2010	50,000	5,000	10,000	–	–	–	–	–	65,000
KG Chapman [(b)]	2011	54,500	–	–	–	–	–	–	–	54,500
	2010	–	–	–	–	–	–	–	54,500	54,500
PR Coates [(c)]	2011	28,000	–	–	–	–	–	–	–	28,000
	2010	–	12,737	3,763	–	–	–	–	11,500	28,000
VA Davies [(d)]	2011	–	–	–	–	–	–	–	–	–
	2010	–	–	–	–	–	–	–	–	–
TC Ford [(e)]	2011	–	–	–	–	–	–	–	–	–
	2010	10,000	–	–	–	–	–	–	(10,000)	–
RM Graham [(f)]	2011	12,752	–	–	–	–	–	–	(12,752)	–
	2010	10,626	–	2,126	–	–	–	–	–	12,752
RG Newton	2011	66,000	–	–	–	–	–	–	–	66,000
	2010	20,000	43,000	8,000	–	–	–	(5,000)	–	66,000
DC Seargeant	2011	1,019,490	–	–	–	–	100,000	(250,000)	–	869,490
(Managing Director)	2010	720,500	–	265,125	33,865	–	–	–	–	1,019,490
Executives										
NC Arundel	2011	14,813	–	–	–	–	–	(6,800)	–	8,013
	2010	–	–	8,841	–	–	5,972	–	–	14,813
PC Bourke [(g)]	2011	–	–	–	–	–	–	–	–	–
	2010	–	–	–	–	–	–	–	–	–
GC Dean	2011	102,804	–	–	–	–	16,333	(11,000)	–	108,137
	2010	75,500	–	26,325	979	–	–	–	–	102,804
MR Duff	2011	50,806	–	–	–	–	–	(24,914)	–	25,892
	2010	30,000	–	20,806	–	–	–	–	–	50,806
HR Eberstaller	2011	3,584	–	–	–	–	–	–	–	3,584
	2010	–	–	3,584	–	–	–	–	–	3,584
JM Hastings [(h)]	2011	–	–	–	–	–	–	–	–	–
	2010	–	–	–	–	–	–	–	–	–
PW Horton	2011	63,697	–	–	–	–	–	–	–	63,697
	2010	45,000	–	18,697	–	–	–	–	–	63,697
KJ Kobishop [(i)]	2011	23,065	–	–	–	–	–	–	(23,065)	–
	2010	–	–	20,000	3,065	–	–	–	–	23,065

(a) This movement represents the balance of ordinary shares held at the relevant date, being the date of commencement with the Group or termination from the Group.
(b) KG Chapman was appointed a director on 18 February 2010.
(c) PR Coates was appointed a director on 10 July 2009.
(d) VA Davies was appointed a director on 20 April 2011.
(e) TC Ford resigned as a director on 23 October 2009.
(f) RM Graham resigned as a director on 20 April 2011.
(g) PC Bourke commenced employment with the Group on 19 April 2010.
(h) JM Hastings was appointed to the key management position on 16 May 2011.
(i) KJ Kobishop ceased employment with the Group on 31 August 2010.

No shares were granted to key management personnel during the financial reporting period as compensation in the year to 30 June 2011.

NOTE 38 – DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Loans and other transactions with key management personnel and their related parties

Loans to key management personnel and their related parties
There were no loans outstanding at any time during the year with any key management personnel or their related parties.

Other transactions with the Company or its controlled entities
AG Rydge and AJ Clark are directors of Carlton Investments Limited. Carlton Investments Limited rents office space from a controlled entity. Rent is charged to Carlton Investments Limited at a market rate. Rent received during the year was $30,907 (2010: $31,235). The Company holds shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $446,430 (2010: $427,524).

AG Rydge paid rent, levies and other costs to Group entities during the year amounting to $82,179 (2010: $78,834). A company associated with RM Graham paid rent and levies to a controlled entity during the year amounting to $5,729 (2010: $5,564). Rent is charged to AG Rydge and RM Graham at market rates.

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

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

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

NOTE 39 – RELATED PARTIES

Associates
Interest paid on loans to associates is shown in Note 4.

Other transactions were receipt of property rentals from associates of $43,000 (2010: $41,000) and costs of $193,000, paid on behalf of an associate, $93,000 of which is refundable by that associate.

Refer also to Notes 11, 16, 22, 34 and 36.

Relationships with jointly controlled entities
Refer to Notes 11, 16, 32, 34 and 37.

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

NOTE 40 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES	2011 $'000	2010 $'000
Reconciliation of profit after related income tax expense for the year to net cash provided by operating activities		
Profit after related income tax expense for the year	139,831	98,772
Adjustments for:		
Amortisation	9,502	11,416
Depreciation	26,838	22,231
Net loss on sale of non-current assets	561	1,047
Profit on sale of interest in United Arab Emirates cinema exhibition operations	(60,318)	–
Development gain on revaluation of the redeveloped Canberra Civic property	(2,251)	(10,163)
Fair value increment of investment properties	(438)	(275)
Equity accounted investment distributions	33,159	45,357
Share of equity accounted investees' net profit	(35,455)	(48,515)
Asset impairment adjustments	330	10,339
Share-based payments expense	1,949	1,494
Receivables impairment adjustment	136	(1,291)
Unrealised foreign exchange gains	(115)	(105)
Increase/(decrease) in income taxes payable	(6,232)	3,567
Net cash provided by operating activities before change in assets and liabilities	107,497	133,874
Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired/disposed during the year:		
Decrease/(increase) in trade and other receivables	11,738	(7,749)
Increase in inventories	(4,585)	(4,480)
Decrease/(increase) in prepayments and other sundry assets	3,233	(702)
Increase in deferred tax items	3,623	6,244
Increase/(decrease) in trade and other payables	7,380	(1,320)
Increase/(decrease) in provisions	(1,748)	1,487
Increase in deferred revenue	5,811	10,406
Increase in deferred income – VAT dispute	9,886	–
Decrease in other liabilities	(3,025)	(1,265)
Increase/(decrease) in financing costs payable	(83)	91
Net cash provided by operating activities	139,727	136,586

NOTE 41 – EVENTS SUBSEQUENT TO REPORTING DATE

Dividends
For final dividends declared after 30 June 2011, refer Note 8.

VAT dispute in Germany
Note 32 – Contingent Assets and Liabilities, refers to an amount of $20,483,000 relating to disputed VAT totalling $18,921,000, provided for or paid by German controlled and joint venture entities on a number of food products sold during the period since 1 January 2005, plus potential interest receivable thereon of $1,562,000. Included in the total VAT in dispute is an amount of $3,304,000 relating to the financial year to 30 June 2011. Subsequent to the reporting date, on 18 August 2011, the German Federal Fiscal Court ruled in favour of a competitor on a similar dispute. Although this Court ruling is only binding for the parties to this case, barring any unforeseen circumstances, it is expected that the Company's controlled and joint venture entities will also now obtain a favourable outcome to their disputes. It is therefore expected that the contingent asset noted at 30 June 2011 will be recognised as income in the financial year to 30 June 2012.

DIRECTORS' DECLARATION

1. In the opinion of the directors:

   (a) the consolidated financial statements and notes that are set out on pages 38 to 109 and the Remuneration Report in the Directors' Report set out on pages 26 to 36, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the Group subsidiaries identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

3. The directors have received the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Director Finance & Accounting for the year ended 30 June 2011.

4. The directors draw attention to Note 1(a) to the financial report, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

AG Rydge
Director

DC Seargeant
Director

Dated at Sydney this 25th day of August 2011.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMALGAMATED HOLDINGS LIMITED

Report on the financial report
We have audited the accompanying financial report of the Group comprising Amalgamated Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2011, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, Notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group.

Directors' responsibility for the financial report
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Auditor's opinion
In our opinion:
(a) the financial report of the Group is in accordance with the Corporations Act 2001, including:
  (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the Remuneration Report included in pages 26 to 36 in the Directors' Report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMALGAMATED HOLDINGS LIMITED

Auditor's opinion
In our opinion, the Remuneration Report of Amalgamated Holdings Limited for the year ended 30 June 2011, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

David Rogers
Partner

25th August 2011

SHAREHOLDER INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in the Annual Report is set out below:

SHAREHOLDINGS (AS AT 31 AUGUST 2011)

SUBSTANTIAL SHAREHOLDERS
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Shareholder	Number of ordinary shares held
Enbeear Pty Limited	56,598,377 *
Carlton Investments Limited	56,588,377
Investors Mutual Limited	14,396,349
IOOF Holdings Limited	16,025,288
Perpetual Limited	12,449,252

* Includes Carlton Investments Limited holding.

VOTING RIGHTS
Ordinary shares
There were 5,779 holders of ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 54 of the Company's Constitution, are:

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

(a) at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or attorney; and

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

Options
There were no outstanding options of the Company as at 31 August 2011.

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	Number of shares held
1 – 1,000	2,828	1,127,963
1,001 – 5,000	1,803	4,641,704
5,001 – 10,000	553	3,921,080
10,001 – 100,000	544	13,581,867
100,001 and over	51	136,527,732
	5,779	159,800,346

The number of shareholders holding less than a marketable parcel is 410.

UNQUOTED ORDINARY SHARES
There were 2,359,667 unquoted ordinary shares issued pursuant to the employee share plans. The shares were held by 769 holders. The unquoted ordinary shares have been included within the distribution of shareholders table above.

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS
The names of the 20 largest shareholders of the quoted shares are:

	Number of shares held	Percentage of capital held
Enbeear Pty Limited	32,134,031	20.11
Eneber Investment Company Limited	19,777,772	12.38
National Nominees Limited	12,007,615	7.51
RBC Dexia Investor Services Australia Nominees Pty Limited (Bkcust Account)	11,444,655	7.16
JP Morgan Nominees Australia Limited	7,695,513	4.82
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled Account)	7,422,510	4.65
The Manly Hotels Pty Limited	5,732,812	3.59
Alphoeb Pty Limited	5,627,315	3.52
Carlton Hotel Limited	5,276,103	3.30
HSBC Custody Nominees (Australia) Limited	4,528,532	2.83
Mr Alan Graham Rydge	3,269,915	2.05
Citicorp Nominees Pty Limited	3,221,659	2.02
Cogent Nominees Pty Limited	2,497,012	1.56
TN Phillips Investments Pty Limited	1,446,000	0.90
Citicorp Nominees Pty Limited (CFSIL Cwlth Aust SHS 14 Account)	1,425,982	0.89
Sandhurst Trustees Ltd (SISF Account)	1,375,433	0.86
Australian United Investment Company Limited	1,200,000	0.75
Argo Investments Limited	1,040,151	0.65
Citicorp Nominees Pty Limited (Colonial First State Inv Account)	1,020,267	0.64
Mr David Christopher Seargeant	853,490	0.53
	128,996,767	80.72

ON-MARKET BUY BACK
There is no current on-market buy back.

SECURITIES EXCHANGE
Amalgamated Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. Shares are listed on the ASX under the code AHD. Details of trading activity are published in most Australian daily newspapers.

OTHER INFORMATION

ANNUAL GENERAL MEETING
The Annual General Meeting will be held at 10:30am on Friday 21 October 2011 at:

Rydges North Sydney
54 McLaren Street
North Sydney NSW 2060.

REGISTERED OFFICE
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227 Elizabeth Street
Sydney NSW 2000

Telephone +61 2 9373 6600
Facsimile +61 2 9373 6534

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SHARE REGISTRY
Computershare Investor Services Pty Limited
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60 Carrington Street
Sydney NSW 2000

GPO Box 2975
Melbourne VIC 3000

Telephone 1300 850 505
Facsimile +61 3 9473 2500

www.computershare.com

For more information on Amalgamated Holdings Limited please refer to our website at www.ahl.com.au

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Annual Report 2011

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