AHL

AMALGAMATED HOLDINGS LIMITED

ABN: 51 000 005 103

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2005

(INCLUDING ADDITIONAL APPENDIX 4E DISCLOSURES)

ASX CODE: AHD

RELEASED
25 AUGUST 2005

AHL

CONTENTS

INTERNET

These results will be available on the internet at http://www.ahl.com.au under the shareholders information menu from around **3:00**pm Australian Eastern Standard Time on 25 August 2005.

ENQUIRIES

Media enquiries should be directed to:

David Seargeant – AHL Managing Director
Greg Dean – AHL Company Secretary Ph: (02) 9373 6600

APPENDIX 4E (Rule 4.3A)
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to the year ended 30 June 2004)

				2005 A$'000	2004 A$'000
Revenues from ordinary activities	Up	28.7%	to	619,629	481,497
Operating profit before unusual items, borrowing costs and income tax	Up	1.5%	to	75,210	74,133
Unusual items				(6,142)	(74,252)
Operating profit after unusual items and before borrowing costs and income tax				69,068	(119)
Borrowing costs	Down	4.9%	to	(14,054)	(14,784)
Income tax attributable to operating profit	Down	8.9%	to	(14,756)	(16,193)
Profit/(loss) from ordinary activities after income tax				40,258	(31,096)
Net profit attributable to outside equity interests				(155)	(72)
Net profit/(loss) for the year attributable to members				40,103	(31,168)

Dividends			Amount per security	Franked amount per security
Final dividend	-	Current year	11.5 ¢	11.5 ¢
	-	Previous corresponding period	7.0 ¢	7.0 ¢
Interim dividend	-	Current year	7.0 ¢	7.0 ¢
	-	Previous corresponding period	6.0 ¢	6.0 ¢
Total dividend (interim plus final)				
	-	Current year	18.5 ¢	18.5 ¢
	-	Previous corresponding period	13.0 ¢	13.0 ¢

Record date for determining entitlements to the dividend	8 September 2005

For an explanation of the figures reported refer to commentary on results.

AHL

APPENDIX 4E (Rule 4.3A)
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005

1. Comments by Directors

See commentary attached to this report.

2. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	$3.04	$2.86

3. Annual Meeting

The annual meeting will be held as follows:

Place:	**The State Ballroom State Theatre 49 Market Street Sydney NSW 2000**
Date:	**21 October 2005**
Time:	**10:00 am Sydney time**
Approximate date the annual report will be available:	**21 September 2005**

4. Compliance statement

The report is based on accounts which have been subject to audit.

AHL

The information presented below is an extract from the 2005 Directors' Report.

OPERATING AND FINANCIAL REVIEW

Overview of the Group

The Group achieved a normalised result, being operating profit before unusual items, borrowing costs and income tax, of $75,210,000 (2004: $74,133,000) being broadly in line with the prior year result.

This marginal increase in normalised earnings was the result of increased earnings from the hotels and resorts business, Thredbo and Atlab, which was in large part offset by a decline in earnings within the domestic cinema business. The domestic business was impacted by soft film product in the second half of the year resulting in reduced cinema admissions.

	2005			2004		
	Normalised result $'000	Unusual items $'000	Total $'000	Normalised result $'000	Unusual items $'000	Total $'000
Entertainment						
Cinema Exhibition Domestic	32,518	(2,035)	30,483	35,062	(1,509)	33,553
Cinema Exhibition International	(7,554)	(2,202)	(9,756)	(7,500)	(81,644)	(89,144)
Entertainment Technology						
Atlab Holdings Pty Limited	3,041	–	3,041	1,259	–	1,259
Technology other	494	–	494	619	–	619
Hospitality & Leisure						
Hotels	19,428	–	19,428	16,896	–	16,896
Thredbo Alpine Resort	13,915	–	13,915	13,191	–	13,191
Leisure/Attractions	(1,427)	(6,373)	(7,800)	(1,912)	–	(1,912)
Strategic Investments						
Roadshow Distributors Pty Limited	16,857	–	16,857	17,149	–	17,149
Val Morgan	–	–	–	2,815	8,901	11,716
Strategic Investments – other	–	–	–	(238)	–	(238)
Other						
Property	2,093	–	2,093	1,150	–	1,150
Unallocated revenue and expenses	(7,495)	4,468	(3,027)	(6,633)	–	(6,633)
	71,870	**(6,142)**	**65,728**	**71,858**	**(74,252)**	**(2,394)**
Interest income	3,340	–	3,340	2,275	–	2,275
Normalised result before borrowing costs and income tax	**75,210**	**(6,142)**	**69,068**	**74,133**	**(74,252)**	**(119)**
Borrowing Costs			(14,054)			(14,784)
Profit /(loss) from ordinary activities before income tax and outside equity interests			55,014			(14,903)
Income tax expense			(14,756)			(16,193)
			40,258			(31,096)
Outside equity interest			(155)			(72)
Net profit/(loss)			**40,103**			**(31,168)**

Net profit after unusual items and income tax was $40,103,000 and compares to a loss of $31,168,000 in the previous year. The previous year was impacted by the decision to write-down the investment in the German operations.

AHL

An analysis of the last five years is outlined below:

	2005	2004	2003	2002	2001
Total operating revenue ($000)	619,629	481,497	369,048	351,911	345,508
Net profit* ($000)	40,103	(31,168)	30,286	28,398	22,891
Normalised operating profit ^ ($000)	75,210	74,133	57,631	57,087	51,069
Basic EPS (cents)	32.0	(25.0)	24.0	24.0	19.0
Dividends paid ($000)	23,241	16,226	14,354	13,730	12,482
Dividends per share (Cents)	18.5	13.0	11.5	11.0	10.0

* *Net profit after unusual and extraordinary items, borrowing costs, outside equity interests and income tax.*

^ *Net profit before unusual and extraordinary items, borrowing costs, outside equity interests and income tax.*

Investments

The Group acquired property, plant and equipment totalling $14,442,000 during the year. This figure excludes capital expenditure incurred through partnerships and joint venture activities. The acquisitions were primarily due to the expansion of the existing cinema circuits, refurbishment requirements for the cinemas, hotels and resorts, the infrastructure and operational requirements for the Thredbo Alpine Resort and reporting system upgrades to ensure that the Group's IT facilities are keeping pace with technological advances.

Capital structure

During the year 1,029,000 ordinary shares were issued as a result of employees exercising options granted under the management share option plan. Funds raised from the exercise of these ordinary share options amounted to $2,360,000.

Also during the year the company bought back 288,440 ordinary shares that had been forfeited under the Employee Share Plan.

Debt totalling $50,552,000 was repaid during the year bringing the net debt to book equity ratio to 43% as at 30 June 2005 (2004: 57%).

Treasury policy

The Group's treasury function is responsible for managing interest rate and currency risks and finance facilities. The treasury department operates within policies established by the Board. The Group manages interest rate risk in accordance with a Board approved policy covering the types of instruments that can be used, the range of protection and duration that instruments can be taken out for. Maturities of instruments to hedge interest rate risk are up to a maximum of five years. Interest rate swap contracts are generally used to swap a portion of long-term borrowings at floating rates into fixed rates. The Group currently hedges interest bearing debt in A$, € and NZ$ with cover at 30 June 2005 extending to September 2009 in A$, June 2006 in € and December 2007 in NZ$. At 30 June 2005, the Group had 80% (2004: 77%) of debt hedged at an average effective rate of 5.27% (2004: 5.32%). The forecast interest rate hedge position for the year end 30 June 2006 is 61.6% and for the year end 30 June 2007 is 46.4%.

The Group enters into a small number of forward contracts to hedge a proportion of anticipated purchase and sales commitments denominated in foreign currencies, principally US dollars. There were no foreign currency hedge contracts outstanding at 30 June 2005.

AHL

Liquidity and funding
The Group has bank facilities comprising a A$202,785,000 multi-currency revolving loan note issuance facility and NZ$23,800,000 revolving loan note issuance facility. These facilities mature on 9 July 2007 and are secured by a fixed and floating charge and interlocking guarantee from most Australian and New Zealand Group companies under a Common Security Deed. The Group also has working capital facilities including bank overdraft set-off (repayable on demand), cash advance and bank guarantee facilities.

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

Cash flows from operations
Operating net cash inflows decreased from $70,457,000 in the year to 30 June 2004 to $51,127,000 in the year to 30 June 2005. This difference is mostly attributable to working capital movements, lower distributions from cinema partnerships in the second half of the financial year and a reduction in net operating cash flows relating to the German cinema operations. In the prior year, consolidated cash flows for the German operations were for a seven month period from 2nd December 2003, being the acquisition date of a further 50% interest in Greater Union Filmpalast GmbH. This has resulted in consolidated cash flows from the German operations, in the prior year, being favourably impacted by stronger seasonal trading in their winter period.

Impact of legislation and other external requirements
From 1 July 2005 the Group is required to comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") issued by the Australian Accounting Standards Board. The expected impact of the resulting changes in accounting policies is disclosed in Note 40 of the Financial Report.

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

AHL

REVIEW OF OPERATIONS BY DIVISION

ENTERTAINMENT
Cinema Exhibition – Domestic

As at 30 June	2005	2004	Movement
Cinema Locations*	56	56	–
Cinema Screens*	456	451	5

* *Owned and joint venture cinema sites.*

The Group's share of full year revenue from the owned and managed joint venture cinema circuit was $327,316,000 (2004: $340,119,000), which was down by 3.8% on previous year. The decrease was attributable to the reduction in Box Office that occurred during the second half of the year, which more than offset the gain of 2.5% experienced in the first half. The second half of the prior comparable year included the stand-out releases of *Lord of the Rings – Return of the King, Harry Potter and the Prisioner of Azkaban,* and *Shrek 2,* which combined, grossed over $132,000,000. By comparison with the current year second half the top three releases being *Star Wars Episode 3 – Revenge of the Sith, Meet the Fockers,* and *The Incredibles,* grossed $96,000,000. Both average admission price and merchandising spend grew by over 4% on the prior year.

Notwithstanding the decrease in the Box Office, the combined market share of Greater Union and Birch Carroll & Coyle increased to 32.4% up from 31.8% in the prior year. In addition, screen advertising revenue increased due to the first full operating year of the cinema advertising agreement, signed with Val Morgan Pty Limited in March 2004.

An exciting new 11-screen cinema complex at Bondi Junction opened on 1 July 2004 and has performed to expectations with very encouraging indications to strong future performance. An 11-screen complex opened at Karingal in May 2005 and is managed by our joint venture partners, Village Roadshow Limited.

The new food and beverage concept, which was introduced successfully at the Bondi Junction complex, is in the process of being expanded to other cinema locations within the domestic circuit. The concept was installed at Tuggerah in December 2004 and is to be introduced at Glendale in August 2005.

The Gold Class cinema concept continues to be expanded and introduced to other locations. Seven locations now offer Gold Class facilities. Gold Class facilities opened at Marion early in the year and at the recently opened, joint venture cinema at Karingal. An additional Gold Class screen was added at Innaloo and the Gold Class lounges were refurbished at the Innaloo and Macquarie complexes. The Indooroopilly and Garden City complexes will, in the next year, receive a third Gold Class screen and their Gold Class lounges will be refurbished and extended at that time. Gold Class has outperformed the traditional cinema business and its performance is expected to continue.

In the coming year the Group will open 11-screen complexes at Campbelltown and Parramatta, both of which will include Gold Class facilities.

The Double Bay cinema was closed during the year and the Group is assessing the future development potential of the site.

Cinema Exhibition International

Germany

As at 30 June	2005	2004	Movement
Cinema Locations*	81	87	(6)
Cinema Screens*	579	608	(29)

* *Owned, joint venture and managed cinema sites.*

The trading result from Greater Union Filmpalast, the Group's cinema exhibition circuit in Germany, showed a slight improvement over that of the prior year.

The improved performance was driven by a very strong first half with the releases of the highly successful German productions *Traumshift Surprise*, *The Downfall* and *Seven Dwarfs*. The second half was however disappointing with a comparatively soft film product line-up compared to the prior year comparable period.

At 30 June 2005 the Group booked impairment adjustments relating to three cinema sites. The total cost of the impairment was $2,202,000.

As noted above, trading from 1 September 2004 includes a 100% interest in NFP. The results from the NFP circuit improved due to the conclusion of negotiations with landlords involving either a hand-back of loss making sites or an adjustment to lease rental charges.

A nine-screen site at Konstanz and a ten-screen site at Ingolstat were opened during the year. An eight-screen site in Frankfurt was also taken over in December 2004.

On a consolidated basis, the Group now has an interest in 81 sites in Germany utilising 579 screens. The circuit operated by NFP is currently being rebranded to Cinestar, which will elevate the Cinestar brand to the dominant exhibition circuit in the German market.

Middle East

The rapid growth in the Middle East business that has occurred over the last few years, continued during the current year. All three cinemas experienced admission, revenue and profitability growth. Total revenue increased by 11.3% over the prior year, driven by growth in admissions of 7.6% and merchandise sales of 18.7%.

A new 14-screen cinema in the Mall of the Emirates shopping complex is expected to open in September 2005. The new location will feature Gold Class facilities and new food and beverage concepts, including a casual dining restaurant within the cinema complex.

Netherlands

The performance of the Group's 33% interest in a 10-screen multiplex continued at a satisfactory level.

ENTERTAINMENT TECHNOLOGY

Atlab

The 50% owned Atlab group experienced strong earnings growth. This result was driven primarily by efficiency gains from the new Lane Cove laboratory and ongoing improvements to production processes and cost controls across the group.

Production volumes for feature film and trailer print duplication, the group's major revenue source, remained strong particularly for export sales. The commencement of principal photography on several new feature films in Australia and New Zealand has contributed to film processing and post-production revenue, however volumes still remain at historically low levels.

Atlab completed a $2,500,000 upgrade to its digital post-production facilities during the year which is expected to attract significant new sales servicing Australian and overseas productions.

Work has also commenced on the relocation of Atlab's second laboratory at Artarmon into the new Lane Cove complex. The integration of the laboratories is expected to yield further cost savings.

Atlab Image and Sound Technology

The 100% owned Atlab Image and Sound Technology earnings were generally in line with the prior year.

Filmlab

The 100% owned Filmlab group increased profit with orders for a major processor and several colour master units underpinning strong sales of spares and a reduction in overhead costs.

STRATEGIC INVESTMENTS

The Group's 50% share of earnings from the Roadshow Distributors Pty Limited Group ("Roadshow") were similar to those of the prior year with the continuing strong performance of the entertainment division and an improved result from the television division.

Results for theatrical were below expectations due to the lower than expected performance of several major releases; *Catwoman*, *Around the World in 80 Days* and *Laws of Attraction*. However, box office titles such as *Harry Potter and the Prisoner of Azkaban*, *Ocean's Twelve*, *Million Dollar Baby and The Aviator* performed strongly.

The entertainment division's performance was driven by strong sales resulting from DVD back catalogue promotional campaigns in the lead up to Christmas with the *Lord of the Rings trilogy, Matrix trilogy* and ABC/BBC titles all selling well.

The performance of the Television division exceeded its prior period result due to the sale of strong performing box office titles such as *Lord Of The Rings – Fellowship Of The Ring* to free-to-air television in addition to higher Pay TV revenues resulting from the better than expected growth in Pay TV subscribers.

AHL

HOSPITALITY AND LEISURE
Rydges Hotels and Resorts

As at 30 June	2005	2004	Movement
Locations*	36	33	3
Rooms*	6,194	5,770	424

* *Owned and managed hotels.*

The strength of the domestic economy, continued focus on the domestic market and the improvement in international visitor arrivals had a positive impact on the Group's Hospitality and Leisure businesses. Rydges Hotels and Resorts experienced increased occupancy and average rate over that of the previous year.

Earnings from management fees increased over those of the prior year and will continue to grow with the recent addition of the new hotel management agreements. Additions to the hotel management portfolio included Rydges Preston Melbourne in November 2004, Rydges Wollongong and Rydges Port Macquarie in February 2005 and Rydges Esplanade Cairns in March 2005.

Internationally the managed hotels in Dubai, Doha, Chiangmai and London have all traded well. The managed hotel in Phuket has been impacted by the fall in tourist visitations after the Tsunami that hit that region in December 2004.

The Global Hotel Alliance ("GHA") between Rydges, Pan Pacific Hotels, Kempinski Hotels and Wyndham International Hotels has completed its second year of operation. The GHA is collectively comprised of 235 Hotels in 58 countries with more than 58,000 rooms. The GHA stimulates business by offering a global hotel selection to existing and prospective customers and builds international awareness of the Rydges brand.

Capital works undertaken during the year include the refurbishment of standard guest rooms at Rydges Melbourne and the refurbishment and upgrade of restaurant and bar facilities at North Sydney, Parramatta, Queenstown and Christchurch.

Thredbo Alpine Resort

With a record 2004 season, Thredbo grew earnings by 5.3% over the prior year highly successful season. Revenues from the Thredbo Alpine Resort ("Thredbo") were above those of the previous year. The record increase in revenues was attributable to good natural snowfalls, excellent weather conditions, maximisation of the yield per skier, the successful marketing of the shoulder periods, an increase in summer business and effective management of operating costs.

Leisure and Attractions

Matilda Cruises traded in line with the prior year. The Group recently concluded negotiations in relation to the conditional sale of Matilda Cruises. The sale of Matilda Cruises is consistent with the Group's strategy to divest itself of assets that are considered non-core. Completion of the sale is expected on or before 30 September 2005 and in recognition of the sale price the Group has written-down the value of the Matilda Cruises business by $4,707,000.

Featherdale has performed well due to the strength of the domestic economy and the buoyant inbound market. Expressions of interest were sought in relation to the disposal of Featherdale however these failed to meet the Company's price expectation and the Park has been formally withdrawn from the market.

With the exception of the Australian Museum and Fort Denison locations, the catering operations of BlueRock ceased in June 2005. The Group has incurred write-down and closure costs totalling $1,666,000. Catering for both the Australian Museum and Fort Denison will continue to be operated by the Group.

Pier 26 Café and Bar has continued to trade well.

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 plan for Entertainment is applicable to both the domestic and international cinema businesses.

Cinema Exhibition – Domestic and International

Increasing the customer experience

Whilst the Group has no control over the general audience appeal of available films, the Group continues to provide cinema patrons with high-quality picture and sound presentations in clean, comfortable and attractive cinema environments. To enhance the cinema experience the Group will pursue the following strategies to increase and improve the customer experience:

- expansion of the Gold Class cinemas concept to certain cinema locations within the Australian domestic circuit;
- expansion of existing food and beverage concepts to certain other locations within the Australian domestic circuit; and
- upgrading and expansion of on-line booking facilities.

Maximising returns from existing locations

The cinema exhibition markets in Australia, and those international locations in which we currently operate, are considered to be mature markets with limited growth and expansion capacity. The Group anticipates achieving growth primarily through both higher yield per customer and cost improvements and by adding locations as opportunities (population growth and/or urban development) are identified.

Rationalising of 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.

AHL

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:

- 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;
- increase in capital expenditure resulting from the development of digital technologies for film exhibition; and
- increase in unauthorised recording (piracy) of audio and visual recordings for commercial sale.

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

Atlab, Atlab Image and Sound Technology and Filmlab
Maintaining pace with technological advances
The Group expects that future changes in digital technology, and the possible resulting loss of market share, will be offset by the Group's ability to react, change and to adapt to emerging technological advancements and evolution. The Group has identified certain areas of technological advancement within the industry where it is envisaged that a certain amount of market repositioning will occur and, as such, measures have been initiated to maximise opportunities from the emerging technologies.

Maximising returns from existing businesses
The Group anticipates that the technology businesses will continue to achieve growth through revenue and cost improvements, development of and expansion to other markets and territories, and by renewing its major contracts on commercially favourable terms with the aim of increasing the average contract length.

Industry developments
The Group is aware of speculation within the industry suggesting that a digital platform will eventually replace the current 35mm film release printing process thereby severely impacting the existing film processing business. At present the Group believes that any material shift in the transfer of such technology would be gradual and the implications of this change are intrinsically linked to the long-term strategy of maintaining pace with, and adjusting to, future technological advances.

STRATEGIC INVESTMENTS
Roadshow Distributors Pty Limited
Maximising returns from existing investment
The Group has a 50% ownership interest in Roadshow. The Group will continue to work closely with our partner Village Roadshow Ltd and management of Roadshow to maximise development of revenue, cost improvement and other long-term initiatives to grow sustainable earnings for this business through each of the distribution windows.

Property
Maximising returns from existing investment
The Group has a number of property assets, primarily older cinema sites that it intends to redevelop over time and hold as investment properties. The timing of these redevelopments is dependent on the type of use and stage of the property cycle.

HOSPITALITY AND LEISURE

Hotels

Increasing the guest experience

The Group will continue to provide hotel guests with quality four-star accommodation that consistently delivers a product and service that meets or exceeds guest expectations. Initiatives include:

- expansion of, and improvement in, the on-line booking capabilities for guests including customised web pages for corporate guests;
- ongoing commitment to the Global Hotel Alliance, providing guests with access to an extensive and far-reaching overseas network of hotels and resorts; and
- continuing to improve guest experience by ensuring Group policies encourage, train and support staff to ensure appropriate service delivery. In addition the Group has a maintenance and refurbishment policy to ensure that hotels are maintained or upgraded as required.

Increasing the number of hotel rooms

The Group will continue to increase the number of hotel rooms as and when opportunities arise. It is expected that the majority of the future potential growth in rooms will be through hotel management agreements.

Maximising returns from existing locations

For the existing properties in the Rydges hotels portfolio, the Group anticipates achieving improvements in results through growth in average rate and cost improvements in operational departments.

Thredbo Alpine Resort

Premier holiday destination

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

- continuing to ensure the popularity, high-quality and ambience of the winter-time resort facility;
- increasing the summer and shoulder visitations by both leisure and conference guests; 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 effective management of the marketing of shoulder periods, summer revenue and cost improvements, increased visitation and increased occupancy rates.

In addition, the Group will continue to pursue selective property developments and/or the sale of development sites.

AHL

ABN 51 000 005 103

AMALGAMATED HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

CONTENTS

AMALGAMATED HOLDINGS LIMITED
DIRECTORS' REPORT

The Directors present their report together with the Financial Report of Amalgamated Holdings Limited (the "Company") and the consolidated entity, being the Company and its controlled entities (collectively the "Group"), for the year ended 30 June 2005 and the auditors' report thereon.

CONTENTS OF DIRECTORS' REPORT

DIRECTORS

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

Mr AG Rydge (Chairman)
Mr AJ Clark
Mr TC Ford
Mr RM Graham
Ms M Hellicar
Mr DC Seargeant (Managing Director)

Particulars of the qualifications, experience and independence status of each Director, as at the date of this report, are set out in Appendix 1 of this Financial Report.

DIRECTORS' MEETINGS

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

	Full Board of Directors' meetings	Audit Committee meetings	Nomination & Remuneration Committee meetings
Number of meetings held:	11	4	5
Number of meetings attended:			
AG Rydge	11	4	5
AJ Clark	11	4	5
TC Ford	9	(a)	(a)
RM Graham	10	4	5
M Hellicar	10	(a)	(a)
DC Seargeant	11	4 (b)	4 (b)

(a) Reflects non-requirement to attend meetings.
(b) Attended Committee meetings by invitation.

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

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

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

During the year the Group acquired the remaining 50% interest in Neue Filmpalast GmbH & Co. KG, announced the sale of the Matilda Cruises business and the wind-down of the BlueRock Catering business. Further details of the above transactions are outlined in the significant changes in the state of affairs and detailed below.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
The significant changes in the state of affairs of the Group during the year are listed below:

- as announced on 15 September 2004:

  - negotiations in relation to the restructure of Neue Filmpalast GmbH & Co. KG ("NFP") were successfully concluded. This restructuring involved negotiated lease rental reductions for certain sites and the handing back to the landlords of other sites that were incurring losses. Subsequent to this restructure, the circuit operated by NFP comprised 20 sites with 129 screens;
  - a wholly owned subsidiary, Greater Union Filmpalast GmbH ("GUF"), formerly known as Kieft & Kieft Filmtheater GmbH had entered into an agreement that resulted in the Group increasing its interest in NFP from 50% to 100%. The trading results of NFP have been fully consolidated from 1 September 2004 being the effective date of the agreement. The financial statements of NFP, since the date of acquisition of the further 50% interest, have been consolidated into the Group financial statements.

- as announced on 30 June 2005, negotiations in relation to the conditional sale of the Matilda Cruises business were successfully concluded. The sale is expected to be complete on or before 30 September 2005. This sale was part of a strategy implemented by the Group to divest those assets that are considered to be non-core. Integral to this strategy is the sale of the Matilda Cruises business and the wind-down of the BlueRock catering business. The announcement also referred to a potential sale of Featherdale Wildlife Park. Following the receipt of indicative offers, which were less than the current price expectations, the Park has been formally withdrawn from the market.

OPERATING AND FINANCIAL REVIEW

Overview of the Group

The Group achieved a normalised result, being operating profit before unusual items, borrowing costs and income tax, of $75,210,000 (2004: $74,133,000) being broadly in line with the prior year result.

This marginal increase in normalised earnings was the result of increased earnings from the hotels and resorts business, Thredbo and Atlab, which was in large part offset by a decline in earnings within the domestic cinema business. The domestic business was impacted by soft film product in the second half of the year resulting in reduced cinema admissions.

	2005			2004		
	Normalised result $'000	Unusual items $'000	Total $'000	Normalised result $'000	Unusual items $'000	Total $'000
Entertainment						
Cinema Exhibition Domestic	32,518	(2,035)	30,483	35,062	(1,509)	33,553
Cinema Exhibition International	(7,554)	(2,202)	(9,756)	(7,500)	(81,644)	(89,144)
Entertainment Technology						
Atlab Holdings Pty Limited	3,041	–	3,041	1,259	–	1,259
Technology other	494	–	494	619	–	619
Hospitality & Leisure						
Hotels	19,428	–	19,428	16,896	–	16,896
Thredbo Alpine Resort	13,915	–	13,915	13,191	–	13,191
Leisure/Attractions	(1,427)	(6,373)	(7,800)	(1,912)	–	(1,912)
Strategic Investments						
Roadshow Distributors Pty Limited	16,857	–	16,857	17,149	–	17,149
Val Morgan	–	–	–	2,815	8,901	11,716
Strategic Investments – other	–	–	–	(238)	–	(238)
Other						
Property	2,093	–	2,093	1,150	–	1,150
Unallocated revenues and expenses	(7,495)	4,468	(3,027)	(6,633)	–	(6,633)
	71,870	**(6,142)**	**65,728**	**71,858**	**(74,252)**	**(2,394)**
Interest income	3,340	–	3,340	2,275	–	2,275
Normalised result before borrowing costs and income tax	**75,210**	**(6,142)**	**69,068**	**74,133**	**(74,252)**	**(119)**
Borrowing Costs			(14,054)			(14,784)
Profit /(loss) from ordinary activities before income tax and outside equity interests			55,014			(14,903)
Income tax expense			(14,756)			(16,193)
			40,258			(31,096)
Outside equity interest			(155)			(72)
Net profit/(loss)			**40,103**			**(31,168)**

Net profit after unusual items and income tax was $40,103,000 and compares to a loss of $31,168,000 in the previous year. The previous year was impacted by the decision to write-down the investment in the German operations.

An analysis of the last five years is outlined below:

	2005	2004	2003	2002	2001
Total operating revenue ($000)	619,629	481,497	369,048	351,911	345,508
Net profit* ($000)	40,103	(31,168)	30,286	28,398	22,891
Normalised operating profit ^ ($000)	75,210	74,133	57,631	57,087	51,069
Basic EPS (cents)	32.0	(25.0)	24.0	24.0	19.0
Dividends paid ($000)	23,241	16,226	14,354	13,730	12,482
Dividends per share (Cents)	18.5	13.0	11.5	11.0	10.0

* *Net profit after unusual and extraordinary items, borrowing costs, outside equity interests and income tax.*

^ *Net profit before unusual and extraordinary items, borrowing costs, outside equity interests and income tax.*

Investments
The Group acquired property, plant and equipment totalling $14,442,000 during the year. This figure excludes capital expenditure incurred through partnerships and joint venture activities. The acquisitions were primarily due to the expansion of the existing cinema circuits, refurbishment requirements for the cinemas, hotels and resorts, the infrastructure and operational requirements for the Thredbo Alpine Resort and reporting system upgrades to ensure that the Group's IT facilities are keeping pace with technological advances.

Capital structure
During the year 1,029,000 ordinary shares were issued as a result of employees exercising options granted under the management share option plan. Funds raised from the exercise of these ordinary share options amounted to $2,360,000.

Also during the year the company bought back 288,440 ordinary shares that had been forfeited under the Employee Share Plan.

Debt totalling $50,552,000 was repaid during the year bringing the net debt to book equity ratio to 43% as at 30 June 2005 (2004: 57%).

Treasury policy
The Group's treasury function is responsible for managing interest rate and currency risks and finance facilities. The treasury department operates within policies established by the Board. The Group manages interest rate risk in accordance with a Board approved policy covering the types of instruments that can be used, the range of protection and duration that instruments can be taken out for. Maturities of instruments to hedge interest rate risk are up to a maximum of five years. Interest rate swap contracts are generally used to swap a portion of long-term borrowings at floating rates into fixed rates. The Group currently hedges interest bearing debt in A$, € and NZ$ with cover at 30 June 2005 extending to September 2009 in A$, June 2006 in € and December 2007 in NZ$. At 30 June 2005, the Group had 80% (2004: 77%) of debt hedged at an average effective rate of 5.27% (2004: 5.32%). The forecast interest rate hedge position for the year end 30 June 2006 is 61.6% and for the year end 30 June 2007 is 46.4%.

The Group enters into a small number of forward contracts to hedge a proportion of anticipated purchase and sales commitments denominated in foreign currencies, principally US dollars.

There were no foreign currency hedge contracts outstanding at 30 June 2005.

Liquidity and funding
The Group has bank facilities comprising a A$202,785,000 multi-currency revolving loan note issuance facility and NZ$23,800,000 revolving loan note issuance facility. These facilities mature on 9 July 2007 and are secured by a fixed and floating charge and interlocking guarantee from most Australian and New Zealand Group companies under a Common Security Deed. The Group also has working capital facilities including bank overdraft set-off (repayable on demand), cash advance and bank guarantee facilities.

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

Cash flows from operations
Operating net cash inflows decreased from $70,457,000 in the year to 30 June 2004 to $51,127,000 in the year to 30 June 2005. This difference is mostly attributable to working capital movements, lower distributions from cinema partnerships in the second half of the financial year and a reduction in net operating cash flows relating to the German cinema operations. In the prior year, consolidated cash flows for the German operations were for a seven month period from 2nd December 2003, being the acquisition date of a further 50% interest in Greater Union Filmpalast GmbH. This has resulted in consolidated cash flows from the German operations, in the prior year, being favourably impacted by stronger seasonal trading in their winter period.

Impact of legislation and other external requirements
From 1 July 2005 the Group is required to comply with Australian equivalents to International Financial Reporting Standards ("AIFRS") issued by the Australian Accounting Standards Board. The expected impact of the resulting changes in accounting policies is disclosed in Note 40 of the Financial Report.

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 – Domestic

As at 30 June	2005	2004	Movement
Cinema Locations*	56	56	–
Cinema Screens*	456	451	5

* *Owned and joint venture cinema sites.*

The Group's share of full year revenue from the owned and managed joint venture cinema circuit was $327,316,000 (2004: $340,119,000), which was down by 3.8% on previous year. The decrease was attributable to the reduction in Box Office that occurred during the second half of the year, which more than offset the gain of 2.5% experienced in the first half. The second half of the prior comparable year included the stand-out releases of *Lord of the Rings – Return of the King, Harry Potter and the Prisioner of Azkaban,* and *Shrek 2,* which combined, grossed over $132,000,000. By comparison with the current year second half the top three releases being *Star Wars Episode 3 – Revenge of the Sith, Meet the Fockers,* and *The Incredibles,* grossed $96,000,000. Both average admission price and merchandising spend grew by over 4% on the prior year.

Notwithstanding the decrease in the Box Office, the combined market share of Greater Union and Birch Carroll & Coyle increased to 32.4% up from 31.8% in the prior year. In addition, screen advertising revenue increased due to the first full operating year of the cinema advertising agreement, signed with Val Morgan Pty Limited in March 2004.

An exciting new 11-screen cinema complex at Bondi Junction opened on 1 July 2004 and has performed to expectations with very encouraging indications to strong future performance. An 11-screen complex opened at Karingal in May 2005 and is managed by our joint venture partners, Village Roadshow Limited.

The new food and beverage concept, which was introduced successfully at the Bondi Junction complex, is in the process of being expanded to other cinema locations within the domestic circuit. The concept was installed at Tuggerah in December 2004 and is to be introduced at Glendale in August 2005.

The Gold Class cinema concept continues to be expanded and introduced to other locations. Seven locations now offer Gold Class facilities. Gold Class facilities opened at Marion early in the year and at the recently opened, joint venture cinema at Karingal. An additional Gold Class screen was added at Innaloo and the Gold Class lounges were refurbished at the Innaloo and Macquarie complexes. The Indooroopilly and Garden City complexes will, in the next year, receive a third Gold Class screen and their Gold Class lounges will be refurbished and extended at that time. Gold Class has outperformed the traditional cinema business and its performance is expected to continue.

In the coming year the Group will open 11-screen complexes at Campbelltown and Parramatta, both of which will include Gold Class facilities.

The Double Bay cinema was closed during the year and the Group is assessing the future development potential of the site.

Cinema Exhibition International

Germany

As at 30 June	2005	2004	Movement
Cinema Locations*	81	87	(6)
Cinema Screens*	579	608	(29)

* *Owned, joint venture and managed cinema sites.*

The trading result from Greater Union Filmpalast, the Group's cinema exhibition circuit in Germany, showed a slight improvement over that of the prior year.

The improved performance was driven by a very strong first half with the releases of the highly successful German productions *Traumshift Surprise*, *The Downfall* and *Seven Dwarfs*. The second half was however disappointing with a comparatively soft film product line-up compared to the prior year comparable period.

At 30 June 2005 the Group booked impairment adjustments relating to three cinema sites. The total cost of the impairment was $2,202,000.

As noted above, trading from 1 September 2004 includes a 100% interest in NFP. The results from the NFP circuit improved due to the conclusion of negotiations with landlords involving either a hand-back of loss making sites or an adjustment to lease rental charges.

A nine-screen site at Konstanz and a ten-screen site at Ingolstat were opened during the year. An eight-screen site in Frankfurt was also taken over in December 2004.

On a consolidated basis, the Group now has an interest in 81 sites in Germany utilising 579 screens. The circuit operated by NFP is currently being rebranded to Cinestar, which will elevate the Cinestar brand to the dominant exhibition circuit in the German market.

Middle East

The rapid growth in the Middle East business that has occurred over the last few years, continued during the current year. All three cinemas experienced admission, revenue and profitability growth. Total revenue increased by 11.3% over the prior year, driven by growth in admissions of 7.6% and merchandise sales of 18.7%.

A new 14-screen cinema in the Mall of the Emirates shopping complex is expected to open in September 2005. The new location will feature Gold Class facilities and new food and beverage concepts, including a casual dining restaurant within the cinema complex.

Netherlands

The performance of the Group's 33% interest in a 10-screen multiplex continued at a satisfactory level.

ENTERTAINMENT TECHNOLOGY

Atlab
The 50% owned Atlab group experienced strong earnings growth. This result was driven primarily by efficiency gains from the new Lane Cove laboratory and ongoing improvements to production processes and cost controls across the group.

Production volumes for feature film and trailer print duplication, the group's major revenue source, remained strong particularly for export sales. The commencement of principal photography on several new feature films in Australia and New Zealand has contributed to film processing and post-production revenue, however volumes still remain at historically low levels.

Atlab completed a $2,500,000 upgrade to its digital post-production facilities during the year which is expected to attract significant new sales servicing Australian and overseas productions.

Work has also commenced on the relocation of Atlab's second laboratory at Artarmon into the new Lane Cove complex. The integration of the laboratories is expected to yield further cost savings.

Atlab Image and Sound Technology
The 100% owned Atlab Image and Sound Technology earnings were generally in line with the prior year.

Filmlab
The 100% owned Filmlab group increased profit with orders for a major processor and several colour master units underpinning strong sales of spares and a reduction in overhead costs.

STRATEGIC INVESTMENTS
The Group's 50% share of earnings from the Roadshow Distributors Pty Limited Group ("Roadshow") were similar to those of the prior year with the continuing strong performance of the entertainment division and an improved result from the television division.

Results for theatrical were below expectations due to the lower than expected performance of several major releases; *Catwoman*, *Around the World in 80 Days* and *Laws of Attraction*. However, box office titles such as *Harry Potter and the Prisoner of Azkaban*, *Ocean's Twelve*, *Million Dollar Baby and The Aviator* performed strongly.

The entertainment division's performance was driven by strong sales resulting from DVD back catalogue promotional campaigns in the lead up to Christmas with the *Lord of the Rings trilogy*, *Matrix trilogy* and ABC/BBC titles all selling well.

The performance of the Television division exceeded its prior period result due to the sale of strong performing box office titles such as *Lord Of The Rings – Fellowship Of The Ring* to free-to-air television in addition to higher Pay TV revenues resulting from the better than expected growth in Pay TV subscribers.

HOSPITALITY AND LEISURE

Rydges Hotels and Resorts

As at 30 June	2005	2004	Movement
Locations*	36	33	3
Rooms*	6,194	5,770	424

* *Owned and managed hotels.*

The strength of the domestic economy, continued focus on the domestic market and the improvement in international visitor arrivals had a positive impact on the Group's Hospitality and Leisure businesses. Rydges Hotels and Resorts experienced increased occupancy and average rate over that of the previous year.

Earnings from management fees increased over those of the prior year and will continue to grow with the recent addition of the new hotel management agreements. Additions to the hotel management portfolio included Rydges Preston Melbourne in November 2004, Rydges Wollongong and Rydges Port Macquarie in February 2005 and Rydges Esplanade Cairns in March 2005.

Internationally the managed hotels in Dubai, Doha, Chiangmai and London have all traded well. The managed hotel in Phuket has been impacted by the fall in tourist visitations after the Tsunami that hit that region in December 2004.

The Global Hotel Alliance ("GHA") between Rydges, Pan Pacific Hotels, Kempinski Hotels and Wyndham International Hotels has completed its second year of operation. The GHA is collectively comprised of 235 Hotels in 58 countries with more than 58,000 rooms. The GHA stimulates business by offering a global hotel selection to existing and prospective customers and builds international awareness of the Rydges brand.

Capital works undertaken during the year include the refurbishment of standard guest rooms at Rydges Melbourne and the refurbishment and upgrade of restaurant and bar facilities at North Sydney, Parramatta, Queenstown and Christchurch.

Thredbo Alpine Resort

With a record 2004 season, Thredbo grew earnings by 5.3% over the prior year highly successful season. Revenues from the Thredbo Alpine Resort ("Thredbo") were above those of the previous year. The record increase in revenues was attributable to good natural snowfalls, excellent weather conditions, maximisation of the yield per skier, the successful marketing of the shoulder periods, an increase in summer business and effective management of operating costs.

Leisure and Attractions

Matilda Cruises traded in line with the prior year. The Group recently concluded negotiations in relation to the conditional sale of Matilda Cruises. The sale of Matilda Cruises is consistent with the Group's strategy to divest itself of assets that are considered non-core. Completion of the sale is expected on or before 30 September 2005 and in recognition of the sale price the Group has written-down the value of the Matilda Cruises business by $4,707,000.

Featherdale has performed well due to the strength of the domestic economy and the buoyant inbound market. Expressions of interest were sought in relation to the disposal of Featherdale however these failed to meet the Company's price expectation and the Park has been formally withdrawn from the market.

With the exception of the Australian Museum and Fort Denison locations, the catering operations of BlueRock ceased in June 2005. The Group has incurred write-down and closure costs totalling $1,666,000. Catering for both the Australian Museum and Fort Denison will continue to be operated by the Group.

Pier 26 Café and Bar has continued to trade well.

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 plan for Entertainment is applicable to both the domestic and international cinema businesses.

Cinema Exhibition – Domestic and International

Increasing the customer experience

Whilst the Group has no control over the general audience appeal of available films, the Group continues to provide cinema patrons with high-quality picture and sound presentations in clean, comfortable and attractive cinema environments. To enhance the cinema experience the Group will pursue the following strategies to increase and improve the customer experience:

- expansion of the Gold Class cinemas concept to certain cinema locations within the Australian domestic circuit;
- expansion of existing food and beverage concepts to certain other locations within the Australian domestic circuit; and
- upgrading and expansion of on-line booking facilities.

Maximising returns from existing locations

The cinema exhibition markets in Australia, and those international locations in which we currently operate, are considered to be mature markets with limited growth and expansion capacity. The Group anticipates achieving growth primarily through both higher yield per customer and cost improvements and by adding locations as opportunities (population growth and/or urban development) are identified.

Rationalising of 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:

- 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;
- increase in capital expenditure resulting from the development of digital technologies for film exhibition; and
- increase in unauthorised recording (piracy) of audio and visual recordings for commercial sale.

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

Atlab, Atlab Image and Sound Technology and Filmlab
Maintaining pace with technological advances
The Group expects that future changes in digital technology, and the possible resulting loss of market share, will be offset by the Group's ability to react, change and to adapt to emerging technological advancements and evolution. The Group has identified certain areas of technological advancement within the industry where it is envisaged that a certain amount of market repositioning will occur and, as such, measures have been initiated to maximise opportunities from the emerging technologies.

Maximising returns from existing businesses
The Group anticipates that the technology businesses will continue to achieve growth through revenue and cost improvements, development of and expansion to other markets and territories, and by renewing its major contracts on commercially favourable terms with the aim of increasing the average contract length.

Industry developments
The Group is aware of speculation within the industry suggesting that a digital platform will eventually replace the current 35mm film release printing process thereby severely impacting the existing film processing business. At present the Group believes that any material shift in the transfer of such technology would be gradual and the implications of this change are intrinsically linked to the long-term strategy of maintaining pace with, and adjusting to, future technological advances.

STRATEGIC INVESTMENTS
Roadshow Distributors Pty Limited
Maximising returns from existing investment
The Group has a 50% ownership interest in Roadshow. The Group will continue to work closely with our partner Village Roadshow Ltd and management of Roadshow to maximise development of revenue, cost improvement and other long-term initiatives to grow sustainable earnings for this business through each of the distribution windows.

Property
Maximising returns from existing investment
The Group has a number of property assets, primarily older cinema sites that it intends to redevelop over time and hold as investment properties. The timing of these redevelopments is dependent on the type of use and stage of the property cycle.

HOSPITALITY AND LEISURE
Hotels
Increasing the guest experience
The Group will continue to provide hotel guests with quality four-star accommodation that consistently delivers a product and service that meets or exceeds guest expectations. Initiatives include:

- expansion of, and improvement in, the on-line booking capabilities for guests including customised web pages for corporate guests;
- ongoing commitment to the Global Hotel Alliance, providing guests with access to an extensive and far-reaching overseas network of hotels and resorts; and
- continuing to improve guest experience by ensuring Group policies encourage, train and support staff to ensure appropriate service delivery. In addition the Group has a maintenance and refurbishment policy to ensure that hotels are maintained or upgraded as required.

Increasing the number of hotel rooms
The Group will continue to increase the number of hotel rooms as and when opportunities arise. It is expected that the majority of the future potential growth in rooms will be through hotel management agreements.

Maximising returns from existing locations
For the existing properties in the Rydges hotels portfolio, the Group anticipates achieving improvements in results through growth in average rate and cost improvements in operational departments.

Thredbo Alpine Resort

Premier holiday destination

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

- continuing to ensure the popularity, high-quality and ambience of the winter-time resort facility;
- increasing the summer and shoulder visitations by both leisure and conference guests; 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 effective management of the marketing of shoulder periods, summer revenue and cost improvements, increased visitation and increased occupancy rates.

In addition, the Group will continue to pursue selective property developments and/or the sale of development sites.

DIVIDENDS

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

Type	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit
Declared and paid during the year:				
Final 2004 – Ordinary shares	7.0	8,737	22 September 2004	30%
Interim 2005 – Ordinary shares	7.0	8,802	10 March 2005	30%
		17,539		
Declared after the end of the year:				
Final 2005 – Ordinary shares	11.5	14,439	22 September 2005	30%

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

EVENTS SUBSEQUENT TO REPORTING DATE

For reporting periods beginning on or after 1 July 2005, the Group must comply with AIFRS as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 40 to the Financial Report.

Other than the matter discussed 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 Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares held directly	Ordinary shares held by companies in which a Director has a beneficial interest*	Options held directly
AG Rydge	1,526,455	56,165,337	–
AJ Clark	40,000	–	–
TC Ford	–	10,000	–
RM Graham	10,626	–	–
M Hellicar	–	–	–
DC Seargeant	25,500	–	1,225,000

* *Relevant interest under the Corporations Act 2001 differs from the disclosure required under Australian Accounting Standards as presented in Note 35 in the Financial Report.*

TAX CONSOLIDATION
Effective 1 July 2002, for the purposes of income taxation, the Company and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS
The Company's Constitution provides an indemnity to each person, including AG Rydge, AJ Clark, TC Ford, RM Graham, M Hellicar 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 company:

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

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

Remuneration philosophy
The Nomination & Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the 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, retaining and motivating people of the appropriate quality.

Remuneration levels are competitively set to attract the most qualified and experienced directors and executives. The Nomination & Remuneration Committee obtains independent advice as appropriate on the level of remuneration packages. The remuneration packages of the Managing Director and senior executives include an at-risk component that is linked to the overall financial and operational performance of the Group and based on the achievement of specific goals of the Group. Executives participate in the Company's Management Share Option Plan, the benefits of which are conditional upon the Company achieving certain performance criteria, details of which are included in Note 27 of the Financial Report.

The Company also has an Employee Share Plan. The Plan is closed to new members and no offers have been made under the Plan since 1998.

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

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company 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 November 2002 when shareholders approved an aggregate remuneration of $500,000 per year. Non-executive directors do not receive any performance-related remuneration nor are they issued options or shares.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst 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 each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub-committees. Directors' base fees are presently up to $60,000 per annum (Chairman $167,000 per annum). Directors' fees cover all main board activities and membership of other committees, except for the Audit Committee. Non-executive Director members who sit on the Audit Committee receive an additional payment of $8,000 per annum (Chairman of the Audit Committee $16,000 per annum).

The remuneration of non-executive directors for the year ending 30 June 2005 is detailed on page 17 of this report.

The Company also has a Directors' Retirement Plan. The Directors' Retirement Plan was suspended in respect of any new director appointments, on 15 May 2003 and directors appointed to the Board after that date are not entitled to participate in the Directors' Retirement Plan. Under the Directors' Retirement Plan, directors with more than three years service receive a retirement lump sum based on the length of service. The Plan benefits accrue on a monthly basis and reach the maximum amount after 12 years service. The benefit is capped to a maximum lump sum per director of $165,000. There were no benefits paid under the Plan during the year ended 30 June 2005.

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

Director	2005 $	2004 $
AJ Clark	100,310	70,795
TC Ford	161,890	147,250
RM Graham	165,000	165,000
	427,200	383,045

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;
- 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 & Remuneration Committee obtains independent advice on the appropriateness of remuneration packages for executives, given remuneration trends in other companies, from which the recommendations are made to the Board.

It is the Nomination & 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 16.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration component consists of a Short Term Incentive Plan ("STI") and a Long Term Incentive Plan ("LTI").

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior executive by the Nomination & 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 & Remuneration Committee establishes and issues an appropriate guideline for the purposes of the annual review of fixed remuneration levels. The guideline is based on both current and forecast CPI 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 a fringe benefits tax, is taken into account in determining an employee's fixed annual remuneration.

Variable Remuneration – Short Term Incentive ("STI")

Objective

The objective of the STI program is to link the achievement of the Company's 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 Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically KPI's and assessment criteria includes:

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

Additional bonus payments may be considered for exceptional performance. All bonus payments, which are additional to the set STI amounts, are subject to review by the Nomination & Remuneration Committee and approval by the Board.

The company has predetermined 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 KPI's 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 approved by the Nomination & 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 & Remuneration Committee. Payments made are usually delivered as a cash bonus.

For the Managing Director and specified executives the general target bonus opportunity range from 0% to 50% of the executives fixed annual remuneration. The target bonus range for the Managing Director and specified executives is detailed below.

		Allocated between					
Executive	**Maximum STI calculated on fixed annual remuneration [(a)]**	**Group Earnings**	**Divisional Earnings**	**Department Costs**	**Special Projects**	**KPI's**	**Personal effort**
DC Seargeant	Up to 50% [(b)]	10%	–	–	20%	10%	10%
JA Collier	Up to 40%	$13\frac{1}{3}$%	$13\frac{1}{3}$%	–	–	10%	$3\frac{1}{3}$%
GC Dean	Up to 20%	$6\frac{2}{3}$%	–	–	$6\frac{2}{3}$%	$6\frac{2}{3}$%	–
HR Eberstaller	Up to 30% [(c)]	10%	10%	–	2%	6%	2%
PW Horton	Up to 20%	$6\frac{2}{3}$%	–	$6\frac{2}{3}$%	$2\frac{2}{9}$%	$4\frac{4}{9}$%	–
PG Lonergan	Up to 40%	$13\frac{1}{3}$%	$13\frac{1}{3}$%	–	$2\frac{1}{2}$%	$7\frac{1}{2}$%	$3\frac{1}{3}$%
GC Lopez	Up to 20%	$6\frac{2}{3}$%	–	$6\frac{2}{3}$%	–	$6\frac{2}{3}$%	–
DA Tynan	Up to 20%	$6\frac{2}{3}$%	–	–	$6\frac{2}{3}$%	$6\frac{2}{3}$%	–

(a) Fixed annual remuneration is comprised of base salary, superannuation and benefits provided through salary sacrificing arrangements.
(b) The STI payment for the year ended 30 June 2005 included an additional bonus payment for exceptional performance.
(c) The STI payment for the year ended 30 June 2005 included a short-term relocation and incentive package negotiated in October 2003.

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

Variable Remuneration – Long Term Incentive ("LTI")

Objective

The Nominations & Remunerations Committee has requested a review of the existing LTI plan and alternatives plans are currently being considered for recommendation to the Board. Details of the existing LTI plan are detailed below.

The objective of the LTI plan is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long-term performance hurdle.

Structure

LTI grants to executives are delivered in the form of options. It is the current policy to issue options to management once every two years. There is no general LTI bonus ranges. The LTI is determined as follows:

- for the Managing Director the Nomination & Remuneration Committee determines the LTI allocation. This allocation is within the range approved by shareholders at the Annual General Meeting of the Company;
- for specified executives the allocation is determined by the Nomination & Remuneration Committee in accordance with the guidelines set by that Committee and approved by the Board; and
- for other executives a general LTI pool is allocated by the Nomination & Remuneration Committee.

For those options currently on issue which have not yet vested, the ability to exercise is conditional upon the Group achieving a certain performance related hurdle. The performance related hurdle is selected by the Board (in its absolute discretion) from the following three conditions:

1. the operating profit (before tax, unusual and extraordinary items) for the 2005/06 year must have increased by at least 5% compound per annum over the operating profit (before tax, unusual and extraordinary items) for the 2002/03 year;
2. earnings per share for the 2005/06 year must have increased by at least 5% compound per annum over the earnings per share in the 2002/03 year (with appropriate adjustments for rights issues and other capital alterations); or
3. the market value of the Company's share price must have increased over the exercise price by at least 10% compound per annum.

The method of assessment was chosen as it provides the Board with an objective means of measuring the Group's performance over the assessment period.

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

The details of options granted, the value of options, vesting periods and lapsed options under the LTI plan are outlined on pages 19 and 20.

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

	2005 $	2004 $	2003 $	2002 $	2001 $
Normalised operating profit [(a)]	75,210,000	74,133,000	57,631,000	57,087,000	51,069,000
Dividends paid	23,241,000	16,226,000	14,354,000	13,730,000	12,482,000
Share price	4.30	3.37	2.37	2.40	1.95

(a) Net profit before unusual and extraordinary items, borrowing costs, outside equity interests and income tax.

Operating profit (before tax, unusual and extraordinary items) is considered in setting the STI as one of the financial performance targets is growth in group earnings. Share price movements is one of the performance criteria assessed for the LTI. The other performance criteria assessed for the LTI is growth in earnings per share, which again takes into account the Group's operating profit.

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 cost-of-living 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 specified executives are summarised in the table below:

<table>
<tr><th>Executive</th><th>Termination by Executive</th><th>Termination by Company</th><th>Expiry Date of Contracts</th></tr>
<tr><td>DC Seargeant</td><td>The notice period is three months.</td><td rowspan="2">Other than for gross misconduct, the notice period for the Company is one month. On termination the Company may make a payment in lieu of notice, equal to the notice period. The Company 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.</td><td rowspan="3">Not applicable, rolling contracts.</td></tr>
<tr><td>GC Dean
HR Eberstaller
PW Horton
PG Lonergan
GC Lopez
DA Tynan</td><td>The notice period is four weeks.</td></tr>
<tr><td>JA Collier</td><td>The notice period is three months.</td><td>Other than for gross misconduct, the following percentages of fixed annual remuneration will be paid as a termination benefit:
• if termination is within 24 months of 1 September 2003, 50% of fixed remuneration is payable; and
• after 24 months of 1 September 2003, 25% of fixed annual remuneration is payable.</td></tr>
</table>

Directors' and senior executives' emoluments

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the named executive officers of the Company and the Group receiving the highest emolument are:

		Primary			Post-employment	Equity	Other					
		Fixed annual remuneration and fees $	STI bonuses $	Non-cash benefits $	Superannuation contributions $	LTI Options [b] $	Movement in accrued leave entitlements $	Retirement benefits [c] $	Insurance Premiums [d] $	Total $	Proportion of remuneration performance related	Value of options as a proportion of remuneration
Directors												
Non-executive												
AG Rydge, Chairman [a]	2005	155,415	–	–	11,585	–	–	–	–	167,000	–	–
	2004	151,598	–	–	11,002	–	–	–	–	162,600	–	–
AJ Clark [a]	2005	69,725	–	–	6,275	–	–	29,515	–	105,515	–	–
	2004	51,987	–	–	4,679	–	–	17,311	–	73,977	–	–
TC Ford	2005	55,046	–	–	4,954	–	–	14,640	–	74,640	–	–
	2004	49,541	–	–	4,459	–	–	10,675	–	64,675	–	–
RM Graham [a]	2005	62,385	–	79	5,615	–	–	–	–	68,079	–	–
	2004	56,880	–	79	5,120	–	–	7,668	–	69,747	–	–
M Hellicar	2005	55,046	–	–	4,954	–	–	–	–	60,000	–	–
	2004	37,614	–	–	3,386	–	–	–	–	41,000	–	–
GL Herring [a] (Resigned 17 June 2004)	2005	–	–	–	–	–	–	–	–	–	–	–
	2004	64,220	–	–	5,780	–	–	3,669	–	73,669	–	–
AJ Lane [a] (Resigned 31 August 2003)	2005	–	–	–	–	–	–	–	–	–	–	–
	2004	9,480	–	–	853	–	–	2,126	–	12,459	–	–
Executive												
DC Seargeant, Managing Director	2005	788,415	469,000	–	11,585	167,951	80,460	–	7,772	1,525,183	41.8%	11.0%
	2004	658,998	268,000	319	11,002	126,154	(4,097)	–	7,772	1,068,148	36.9%	11.8%
Total, all specified Directors	2005	1,186,032	469,000	79	44,968	167,951	80,460	44,155	7,772	2,000,417		
	2004	1,080,318	268,000	398	46,281	126,154	(4,097)	41,449	7,772	1,566,275		

		Primary			Post-employment	Equity	Other					
		Fixed annual remuneration and fees $	STI bonuses $	Non-cash benefits $	Superannuation contributions $	LTI Options [b] $	Movement in accrued leave entitlements $	Retirement benefits [c] $	Insurance Premiums [d] $	Total $	Proportion of remuneration performance related	Value of options as a proportion of remuneration
Executive officers												
The Company												
GC Dean, Company Secretary	2005	168,415	25,500	–	11,585	22,772	2,229	–	1,066	231,567	20.8%	9.8%
	2004	145,520	8,100	–	24,480	9,423	8,807	–	985	197,315	8.9%	4.8%
PW Horton, Director Finance & Accounting [e]	2005	306,110	63,360	–	26,890	25,621	8,245	–	2,132	432,358	20.6%	5.9%
	2004	294,284	37,820	–	25,716	27,116	4,262	–	2,132	391,330	16.6%	6.9%
GL Lopez, Director of Technology Services	2005	284,415	52,725	–	11,585	25,621	(10,764)	–	2,071	365,653	21.4%	7.0%
	2004	273,998	22,230	159	11,002	27,116	(8,613)	–	2,002	327,894	15.0%	8.3%
DA Tynan, Director of Group Marketing & Sales [e]	2005	286,585	54,600	–	25,915	27,757	11,991	–	2,132	408,980	20.1%	6.8%
	2004	275,236	32,190	–	24,764	35,591	6,418	–	2,012	376,211	18.0%	9.5%
Group												
JA Collier, Managing Director AHL Entertainment	2005	443,415	121,000	–	11,585	57,022	15,303	–	1,066	649,391	27.4%	8.8%
	2004	357,498	–	592	10,084	33,427	23,280	–	888	425,769	7.9%	7.9%
HR Eberstaller, Managing Director AHL Strategic Investments	2005	282,710	203,344	–	37,290	25,621	(25,220)	–	1,066	524,811	43.6%	4.9%
	2004	258,248	30,000	200	35,501	27,116	20,810	–	1,066	372,941	15.3%	7.3%
PG Lonergan, Managing Director AHL Hospitality & Leisure	2005	405,415	110,550	–	11,585	25,621	26,131	–	2,529	581,831	23.4%	4.4%
	2004	390,998	19,500	–	11,002	27,116	(6,795)	–	2,529	444,350	10.5%	6.1%
Total, all named executive officers	2005	2,177,065	631,079	–	136,435	210,035	27,915	–	12,062	3,194,591		
	2004 [f]	1,995,782	149,840	951	142,549	186,905	48,169	–	11,614	2,535,810		

(a) Fees include Board Committee fees.

(b) Amounts disclosed above for remuneration relating to options have been determined in line with the requirements of accounting standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" and in accordance with the guidelines issued by the Australian Securities and Investments Commission. AASB 1046 requires the options to be valued at the time they are granted and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on the options using a binomial option pricing model. Factors taken into account by the binomial option pricing model include the exercise price, the term of the option, the current price and the expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate from the term of the option and market conditions. It has also been assumed that all options will eventually vest. Details of options on issue are set out under "Options" below and further details on the terms and conditions of these options is set out in Note 27 to the Financial Report.

(c) Retirement benefits represent benefits accrued during the year. Further information is detailed in the section titled Directors' Retirement Plan included in the Non-executive directors remuneration and Corporate Governance sections of this report.

(d) Amounts disclosed for remuneration of directors and specified 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 report. The amounts disclosed in the table above relate to premiums paid by the company for group salary continuance insurance.

(e) Also executives of the Group and included in the five named relevant Group executives who receive the highest remuneration for the year ended 30 June 2005.

(f) Comparatives have been adjusted to reflect amendments in the basis of calculation as specified in the requirements of accounting standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities".

Analysis of STI bonuses included in remuneration

Details of the vesting profile of the STI bonuses awarded as remuneration to the Managing Director and each of the named executives officers of the Company and the Group are detailed below:

	Included in remuneration [a] $	Awarded in year %	Not awarded in year [b] %
Managing Director			
DC Seargeant	469,000	100%	– %
Executives			
The Company			
GC Dean	25,500	100%	– %
PW Horton	63,360	100%	– %
GC Lopez	52,725	93%	7%
DA Tynan	54,600	92%	8%
The Group			
JA Collier	121,000	69%	31%
HR Eberstaller	203,344	67%	33%
PG Lonergan	110,550	92%	8%

(a) Amounts included in remuneration for the year represents the amount that were awarded in the year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future years in respect of the short-term incentive bonus schemes for the 2005 year.

(b) The amounts not awarded are due to the performance or service criteria not being met in relation to the current year.

Analysis of LTI options granted as remuneration

Details of vesting profile of the options granted as remuneration to the Managing Director and specified executives is detailed below:

	Number	Date	Vested during the year %	Forfeited during the year [a] %	Year in which the grant vests	Value yet to vest Minimum [b] $	Value yet to vest Maximum [c] $
Managing Director							
DC Seargeant	250,000	20 Dec 2002	100	–	–	–	–
	250,000	20 Nov 2003	–	–	30 Jun 2007	Nil	126,000
	250,000	11 Dec 2003	–	–	30 Jun 2007	Nil	153,000
	250,000	16 Sep 2004	–	–	30 Jun 2007	Nil	148,000
Specified executives							
JA Collier	200,000	20 Nov 2003	–	–	30 Jun 2007	Nil	100,800
	100,000	11 Dec 2003	–	–	30 Jun 2007	Nil	61,200
GC Dean	20,000	05 Feb 2002	100	–	–	–	–
	50,000	11 Dec 2003	–	–	30 Jun 2007	Nil	30,600
	50,000	17 Jun 2004	–	–	30 Jun 2007	Nil	25,400
HR Eberstaller	100,000	05 Feb 2002	100	–	–	–	–
	100,000	11 Dec 2003	–	–	30 Jun 2007	Nil	61,200
PW Horton	100,000	05 Feb 2002	100	–	–	–	–
	100,000	11 Dec 2003	–	–	30 Jun 2007	Nil	61,200
PG Lonergan	100,000	05 Feb 2002	100	–	–	–	–
	100,000	11 Dec 2003	–	–	30 Jun 2007	Nil	61,200
GC Lopez	100,000	05 Feb 2002	100	–	–	–	–
	100,000	11 Dec 2003	–	–	30 Jun 2007	Nil	61,200
DA Tynan	100,000	18 Jul 2002	100	–	–	–	–
	100,000	11 Dec 2003	–	–	30 Jun 2007	Nil	61,200

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

(b) The minimum value of options yet to vest is $nil as the performance criteria may not be met and consequently the option may not vest.

(c) The maximum values presented above are based on the value of the options issued using a binomial option pricing model. The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Stock Exchange at the date the option is exercised.

Analysis of movements in options

The movement during the year by value, of options over ordinary shares in the Company held by the Managing Director and each of the specified executives is detailed below:

	Granted during the year [(a)] $	Exercised during the year [(b)] $	Forfeited during the year $	Total option value for the year $
DC Seargeant	148,000	329,000	–	477,000
JA Collier	–	–	–	–
GC Dean	–	–	–	–
HR Eberstaller	–	181,650	–	181,650
PW Horton	–	–	–	–
PG Lonergan	–	–	–	–
GC Lopez	–	170,100	–	170,100
DA Tynan	–	164,000	–	164,000

(a) The value of options granted in the year is the fair value of the options calculated at grant date using binomial option pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date that the options were exercised after deducting the price paid to exercise the option.

Options issued to the Managing Director and executive officers

The Company granted options over unissued ordinary shares to the Managing Director of the Company. The details of that grant include:

	Issue Date	Number of Options Granted	Exercise Price	Expiry Date
DC Seargeant	16 September 2003	250,000	$3.72	30 September 2008

Other than as disclosed above, there were no options issued during or since the end of the year.

Unissued shares

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

Issue Date	Expiry date	Exercise price	Number of shares
30 October 2000	30 October 2005	$2.27	225,000
05 February 2002	30 September 2006	$2.26	473,500
20 December 2002	30 September 2006	$2.22	250,000
20 November 2003	30 September 2008	$2.75	450,000
11 December 2003	30 September 2008	$3.35	1,827,500
17 June 2004	30 September 2008	$3.14	50,000
16 September 2004	30 September 2008	$3.72	250,000

Further details on the terms and conditions of these options is set out in Note 27 of the Financial Report.

As at the date of this report, there were 3,526,000 unissued ordinary shares under options (3,526,000 at reporting date). Refer to Note 27 of the Financial Report for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Share issued as a result of the exercise of options

During the year, the Managing Director and executives (including certain specified executives) have exercised options to acquire 1,029,000 fully paid ordinary shares in the Company at a weighted average exercise price of $2.29. No options have been exercised since the end of the year.

CORPORATE GOVERNANCE STATEMENT

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

Board of Directors

Role and responsibilities of the Board

The Board recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of AHL shareholders, as well as its employees, customers and the community.

The responsibilities of the Board include:

- Providing input into, reviewing and approving the corporate and divisional strategic plans;
- Decision-making 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, including review of processes for identifying areas of significant business risk, including those associated with legal compliance obligations, monitoring risk management policies and procedures, oversight of internal controls and review of major assumptions used in the calculation of significant risk exposure;
- Reviewing and approving business plans, the annual budget and financial plans, including available resources and major capital expenditure initiatives;
- Monitoring and assessing management's performance in achieving any strategies and budgets approved by the Board;
- Approving decisions concerning the capital of the Company, including capital restructures;
- Reviewing and approving annual and half-yearly statutory accounts and other reporting and monitoring financial results on an on-going 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 obtainable upon request from the Company Secretary.

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

Board processes

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

Recommendation 2.1 of the ASX Corporate Governance Council recommendations states that the Board should establish a nomination committee. The Board has determined that any recommendations required by a nomination committee are undertaken, as required, by the Nomination & Remuneration Committee.

The full board currently holds eleven scheduled meetings each year, including strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

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.

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

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

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

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

- is not a substantial shareholder of the Company or does not have a material* beneficial interest in a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional advisor or a material* consultant to the Company or another group member;
- is not a material* supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- must have no material* contractual relationship with the Company or another group member other than as a Director of the Company; 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.

* The Board considers, "material", in this context, where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10% of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition, and size and nature of each Director-related business relationship, in arriving at this threshold.

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 that holds a wide portfolio of 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 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.

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

Recommendation 2.2 of the ASX Corporate Governance Council recommendations states that the Chairman should be an independent Director. The Chairman, Mr AG Rydge, is not considered an independent Director due to the substantial shareholding clause. Mr Rydge was previously Chairman and Managing Director of the Company until retiring from the position of Managing Director on 31 December 2001. The Board has determined that the Chairmanship of Mr Rydge is of significant benefit to the Company and the Group due to his long standing contribution to, and association with, the Company and extensive knowledge of the Film, Hospitality and Tourism industries. Mr Rydge has been a non-executive Chairman since 1 January 2002.

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

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

Independent professional advice
Each Director has the right of access to all relevant Company information and to the 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.

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

Eligible Directors in office prior to the suspension of the Plan in May 2003 are able to participate in the Plan. Subject to the *Corporations Act 2001*, those eligible Directors with more than 3 years service receive a retirement lump sum based on the length of service. The retirement plan benefits accrue on a monthly basis and reaches the maximum amount after twelve years service. The benefit is capped to a maximum lump sum per eligible Director of $165,000. The Chairman and Managing Director are not eligible to participate in the Directors' Retirement Plan.

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

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

- the appointment of the Managing Director;
- the proposed remuneration strategy and package for the Managing Director and senior executives; and
- succession plans for senior executives.

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

The members of the Nomination & Remuneration Committee during the year were:
AJ Clark - non-executive independent Director;
RM Graham - non-executive independent Director; and
AG Rydge - non-executive Director.

DC Seargeant - Managing Director, is invited to attend Committee meetings.

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

Remuneration Report
The Remuneration report is set out on pages 12 to 20 and forms part of the Directors' Report for the year ended 30 June 2005.

Audit Committee
The role of the Audit Committee is documented in a Charter, which is approved by the Board. The role of the Committee is to serve as an independent and objective body to monitor the Group's financial reporting process and internal control systems. The Committee also reviews and appraises the audit results of wholly owned entities, and associated entities, and provides an open avenue of communication between the Board, internal and external auditors, and senior executives. The Audit Committee consists of non-executive Directors the majority of whom are independent, and is chaired by an independent Director who is not the Chairman of the Board. All Committee members are familiar with finance and accounting procedures.

The Audit Committee's Charter is available on request from the Company Secretary.

The members of the Audit Committee during the year were:
AJ Clark (Chairman) - non-executive independent Director;
RM Graham - non-executive independent Director; and
AG Rydge - non-executive Director.

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

The responsibilities of the Audit Committee include:

- reviewing the financial reports and other financial information distributed externally;
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring compliance with the Corporations Act 2001, the Listing Rules and other legislative and reporting requirements;
- monitoring the Corporate risk assessment process;
- reviewing the performance of the external auditors and approving the external annual audit fee. The external audit engagement partner was last rotated in June 2004;
- liaising with the external auditors and ensuring that the annual statutory audit and half year review are conducted in an effective manner;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of Auditors imposed by the Corporations Act 2001;
- approving the annual internal audit plan, evaluating and monitoring the internal audit function;
- reviewing internal and external audit reports and ensuring appropriate follow-up action;
- reviewing reports on frauds and theft and ensuring appropriate follow-up action;
- monitoring the establishment of appropriate ethical standards; and
- addresses any matters outstanding with the external auditors or statutory authorities.

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

Risk management

Risk profile and oversight of the risk management system

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the Group. Divisional Managing Directors and other senior executives complete and sign-off on an annual Directors' Risk Management Questionnaire. The operational and other compliance risk management procedures have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole year and the period up to the signing of the annual Financial Report for all material operations in the Group.

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

Financial reporting

The Managing Director and the Director Finance & Accounting have declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Convergence with Australian equivalents to International Financial Reporting Standards (AIFRS) is a key current financial report project. A project team has been established to manage the transition to AIFRS and ensure a smooth transition to AIFRS reporting, beginning with the half-year ended 31 December 2005. The project team is chaired by the Director Finance & Accounting. Quarterly reports are made to the Audit Committee on the progress to achieving the transition plan.

Details of the progress of the implementation project and the expected impact of transition to AIFRS on the Financial Report for the year ended 30 June 2005 are included in Note 40.

The Group is expected to be in a position to fully comply with the reporting requirements of AIFRS for the 30 June 2006 year.

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.

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

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

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

The Company has introduced a "Whistle Blowing" Policy for our Australian operations. The policy is designed to support and protect 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 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.

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

- Contract formation and pitfalls;
- Indemnities in contracts;
- Issues relating to the Trade Practices Act;
- Employment contracts, termination and redundancy;
- Harassment and discrimination;
- Occupational health and safety obligations; and
- Corporate policies, including limits of authority and overview of Corporations Act 2001.

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

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

Environment
The Group's operations are subject to various environmental regulations under Commonwealth, State/Territory and other applicable legislation.

The Group has an established environmental reporting system for its environmentally sensitive businesses, which monitors compliance with existing environmental regulations and new regulations as they are enacted. The recreational and other ancillary activities conducted by those businesses are subject to various licenses 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.

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

In summary, the Continuous Disclosure Policy operates as follows:

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

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

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

AUDITOR INDEPENDENCE
The lead auditor's independence declaration is set out on page 28 and forms part of the Directors' Report for the year ended 30 June 2005.

NON-AUDIT SERVICES PROVIDED BY KPMG
During the year KPMG, the Company'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 Company 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 Professional Statement *F1 Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 5 of the Financial Report.

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 the Australian Securities & Investments Commission ("ASIC"). In accordance with that Class Order amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

AG Rydge **DC Seargeant**

Dated at Sydney this 25th day of August 2005.

KPMG

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Amalgamated Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A Walsh
Partner
25th August 2005

AMALGAMATED HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

		The Group		The Company	
	Note	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenue from sale of goods		169,025	143,037	–	–
Revenue from rendering of services		411,183	297,254	–	–
Other revenues from ordinary activities		39,421	41,206	33,386	28,187
Total revenue from ordinary activities	3	619,629	481,497	33,386	28,187
Advertising, commissions and marketing expenses		(20,221)	(14,608)	(133)	(618)
Book value of associated entity sold		–	(4,082)	–	–
Borrowing costs	4(a)	(14,054)	(14,784)	(6,193)	(9,361)
Carrying value of non-current assets sold		(3,344)	(704)	(880)	(158)
Depreciation and amortisation expenses	4(a)	(30,780)	(28,938)	(48)	(55)
Employee expenses		(146,237)	(118,063)	(5,356)	(5,049)
Film hire and other film expenses		(124,263)	(90,502)	–	–
Occupancy expenses		(166,349)	(85,498)	–	(1)
Other expenses from ordinary activities		(42,868)	(48,200)	(3,227)	(2,285)
Plant and equipment carrying value adjustments		(6,843)	–	–	–
Other goodwill write-downs		(983)	–	–	–
Purchases and other direct expenses		(49,360)	(45,482)	–	–
Write-down in goodwill and other intangibles relating to German cinema operations		–	(65,039)	–	–
Share of net profit/(loss) accounted for using the equity method:					
Associates	33	22,203	(2,058)	–	–
Partnerships	34	18,484	20,326	–	–
Unit trusts	34	–	1,232	–	–
Profit/(loss) from ordinary activities before income tax expense	4	55,014	(14,903)	17,549	10,660
Income tax expense relating to ordinary activities	6(a)	(14,756)	(16,193)	(4,604)	(3,957)
Net profit/(loss) from ordinary activities after income tax expense		40,258	(31,096)	12,945	6,703
Net profit attributable to outside equity interests		(155)	(72)	–	–
Net profit/(loss) attributable to members of the parent entity		40,103	(31,168)	12,945	6,703

		The Group		The Company	
	Note	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Non-owner transaction changes in equity					
Equity accounted (decrease)/increase in foreign currency translation reserve of associates	24	(988)	350	–	–
Net exchange difference on translation of financial statements of self-sustaining foreign operations	24	(1,717)	(2,194)	–	–
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		(2,705)	(1,844)	–	–
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		37,398	(33,012)	12,945	6,703
Basic earnings per share	8	$0.32	$(0.25)		
Diluted earnings per share	8	$0.32	$(0.25)		

The statements of financial performance are to be read in conjunction with the notes to the Financial Report set out on pages 33 to 95.

AMALGAMATED HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
CURRENT ASSETS					
Cash assets	9	14,729	25,305	321	101
Receivables	10	43,998	28,312	2	1,448
Inventories	11	11,142	12,696	–	–
Other	12	5,526	6,148	44	87
Total current assets		75,395	72,461	367	1,636
NON-CURRENT ASSETS					
Receivables	10	26,603	31,299	299,113	241,638
Other financial assets	13	13,062	13,945	53,911	54,791
Investments accounted for using the equity method	14	179,235	172,232	–	–
Property, plant and equipment	15	389,202	416,167	824	176
Intangible assets	16	10,554	12,808	–	–
Deferred tax assets	6(d)	13,965	14,483	13,627	14,165
Other	17	8,189	11,464	–	–
Total non-current assets		640,810	672,398	367,475	310,770
Total assets		716,205	744,859	367,842	312,406
CURRENT LIABILITIES					
Payables	18	68,056	59,304	772	883
Interest bearing liabilities	19	21,368	25,522	–	1,102
Current tax liabilities	6(b)	7,869	8,847	7,784	8,613
Provisions	21	14,321	14,725	757	598
Other	22	16,222	13,847	–	–
Total current liabilities		127,836	122,245	9,313	11,196
NON-CURRENT LIABILITIES					
Payables	18	8,423	4,702	–	–
Interest bearing liabilities	19	163,076	211,307	152,737	89,467
Deferred tax liabilities	6(c)	6,786	9,516	5,675	8,483
Provisions	21	13,471	20,569	525	634
Other	22	4,919	6,400	–	–
Total non-current liabilities		196,675	252,494	158,937	98,584
Total liabilities		324,511	374,739	168,250	109,780
Net assets		391,694	370,120	199,592	202,626
EQUITY					
Contributed equity	23	90,871	89,311	90,871	89,311
Reserves	24	87,412	90,117	36,259	36,259
Retained earnings	25	213,161	190,597	72,462	77,056
Total parent equity interests		391,444	370,025	199,592	202,626
Outside equity interests		250	95	–	–
Total equity		391,694	370,120	199,592	202,626

The statements of financial position are to be read in conjunction with the notes to the financial report set out on pages 33 to 95.

AMALGAMATED HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		589,021	482,393	–	–
Cash payments in the course of operations		(573,749)	(451,450)	(8,734)	(12,429)
Dividends received		714	716	714	716
Interest received		1,239	2,275	40	219
Distributions from partnerships and associates		35,713	41,065	–	–
Other revenue		27,562	21,594	892	1,113
Borrowing costs paid		(11,072)	(13,272)	(6,193)	(9,361)
Income tax refunds		–	28	–	–
Income taxes paid		(18,301)	(12,892)	(13,394)	(1,085)
Net cash provided/(used) by operating activities	38(ii)	51,127	70,457	(26,675)	(20,827)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of investments		5,355	819	5,348	819
Proceeds from disposal of non-current assets		2,366	438	–	–
Payments for property, plant and equipment		(14,442)	(18,606)	(696)	(15)
Proceeds from sale of an associate entity		–	7,599	–	–
Net cash received on acquisition of controlled entity (net of acquisition costs)		6,378	6,172	–	–
Payments for increase in investments in associates, partnerships and unit trusts		(5,118)	(51,951)	–	–
Decrease/(increase) in loans to other entities		7,236	417	–	(37)
Decrease in loans to associates and partnerships		2,513	17,287	1,249	–
Net cash provided/(used) by investing activities		4,288	(37,825)	5,901	767
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		28,750	100,364	–	–
Repayment of borrowings		(79,302)	(108,066)	–	–
Proceeds from the exercise of options		2,360	–	2,360	–
Dividends paid		(17,539)	(15,602)	(17,539)	(15,602)
Decrease in intercompany receivables		–	–	37,275	35,705
Net cash (used)/ provided by financing activities		(65,731)	(23,304)	22,096	20,103
Net (decrease)/increase in cash held		(10,316)	9,328	1,322	43
Effect of exchange rate fluctuations on the balance of cash held in foreign currencies		(425)	403	–	–
Cash at the beginning of the year		25,470	15,739	(1,001)	(1,044)
Cash at the end of the year	38(i)	14,729	25,470	321	(1,001)

The statements of cash flows are to be read in conjunction with the notes to the financial report set out on pages 33 to 95.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

(b) Principles of consolidation

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

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

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

(c) Revenue recognition

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

Sale of goods

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

Rendering of services

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

Interest revenue

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

Sale of non-current assets

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

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

(d) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency

Transactions

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

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

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

Translation of controlled foreign entities

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

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

(f) Derivatives

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

Hedges

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

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

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

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Derivatives (continued)

Interest rate swaps and forward rate agreements

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

Interest rate options

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

Forward foreign exchange contracts and options

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

Net investment in foreign operation

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

(g) Borrowing costs

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

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

(h) Taxation

Income tax

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

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

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

Capital gains tax

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

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

Tax Consolidation regime

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 32. The implementation date for the tax-consolidated group was 1 July 2002. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of the intragroup transactions).

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Taxation (continued)
The tax-consolidated group has entered into a tax funding agreement that requires Australian wholly-owned subsidiaries to make contributions to the head entity for:

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

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

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

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

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

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

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

Partnerships
The Group's interests in partnerships are accounted for using equity accounting principles in the consolidated financial statements.

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

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment

Revaluation

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

Depreciation and amortisation

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

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

	2005	2004
Freehold buildings	1.25% to 2.5%	1.25% to 2.5%
Leasehold buildings and improvements	Term of lease	Term of lease
Plant and equipment	5.0% to 20.0%	5.0% to 20.0%
Leased plant and equipment	5.0% to 20.0%	5.0% to 20.0%

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

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

Leased plant and equipment

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

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease, or where it is likely the Group will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the statements of financial performance.

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

(l) Acquisition of assets

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the 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.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revisions of accounting estimates

The preparation of the Financial Report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively in current and future periods only.

(n) Inventories

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

Work in progress is valued at cost. Cost is based on the first-in-first-out principle and includes expenditure incurred in bringing inventories to their existing condition and location.

(o) Contract work in progress

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

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

(p) Construction rights

Construction rights relate to a controlled entity's ability to develop accommodation in the Thredbo Alpine Resort. The costs are being amortised as the rights are either sold or developed. The carrying value of construction rights is reviewed annually. Any amounts no longer considered recoverable are written-off.

(q) Goodwill

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

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

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

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

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

(s) Non-current receivables

Where the payment terms for the sale of an asset are deferred, the receivable is discounted using the prevailing rate for a similar instrument of an issuer with similar credit terms. The unwinding of the discount is treated as interest income.

(t) Payables

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

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Bank loans

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

(v) Provisions

Employee benefits

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

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

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

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

Doubtful debts

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

Onerous contracts

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

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

Insurance loss contingencies

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

(w) Superannuation plans

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

(x) Employee share and option plans

Employee share plan

The Company has issued shares to certain employees under an employee share plan. Further information is set out in Note 27. Other than costs incurred in administering the scheme which are expensed as incurred, the scheme does not result in any expense to the Group.

NOTE 1 – STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee share and option plans (continued)
Share Option Plans
The Company has granted options to certain employees under a Management Share Option Plan.

No accounting entries are made in relation to the Management Share Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of Directors and executives in Note 35 include an amount in respect of options on issue that had not vested prior to commencement of the reporting period.

Amounts disclosed in Note 35 for remuneration relating to share options have been determined in line with the requirements of accounting standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities" and in accordance with the guidelines issued by the Australian Securities and Investments Commission. AASB 1046 requires the options to be valued at the time they are granted and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on the options using a binomial option pricing model. Factors taken into account by the binomial option pricing model include the exercise price, the term of the option, the current price and the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Under the requirements of AASB 1046 vesting conditions have not been taken into account in determining the fair value of the options at the grant date. It has also been assumed that all options will eventually vest. Further information on share options is set out in Note 27.

NOTE 2 – CHANGE IN ACCOUNTING POLICY OR APPLICATION OF POLICY

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

NOTE 3 – REVENUE FROM ORDINARY ACTIVITIES	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Revenue from operating activities*					
Sale of goods		169,025	143,037	–	–
Rendering of services		411,183	297,254	–	–
		580,208	440,291	–	–
Other revenue					
Dividends received and receivable from:					
Controlled entities		–	–	7	7
Other persons		714	716	714	716
		714	716	721	723
Interest received and receivable from:					
Associates		32	86	–	–
Controlled entities	36	–	–	17,590	16,101
Other persons		3,308	2,189	40	219
		3,340	2,275	17,630	16,320
Management and consulting fees received and receivable from:					
Associates	36	1,266	1,266	500	500
Controlled entities	36	–	–	9,065	9,809
Partnerships	34	5,615	7,582	–	–
Other persons		8,942	7,026	–	–
		15,823	15,874	9,565	10,309
Rental income received and receivable from:					
Associates	36	237	235	–	–
Partnerships		–	6	–	–
Other persons		8,907	7,144	–	–
		9,144	7,385	–	–
Other		1,499	505	122	13
Revenue from outside operating activities					
Amounts received or receivable from sale of non-current assets	4(a)	8,901	1,468	5,348	822
Amounts received or receivable from the sale of one-third interest in an associate entity	4(b)	–	12,983	–	–
Total other revenue		39,421	41,206	33,386	28,187
Total revenue from ordinary activities		619,629	481,497	33,386	28,187
Revenue including share of sales revenue for partnerships and unit trusts:					
Revenue as listed above		619,629	481,497	33,386	28,187
Partnerships**	34	180,813	230,011	–	–
Unit trusts**	34	–	12,309	–	–
		800,442	723,817	33,386	28,187

* Revenue was impacted by the increase in ownership interest in Greater Union Filmpalast GmbH on 2 December 2003 and Neue Filmpalast GmbH & Co. KG on 1 September 2004. The financial statements of Greater Union Filmpalast GmbH and Neue Filmpalast GmbH & Co. KG have been consolidated from those respective dates. Further details are provided in Note 31.

** To more fairly reflect the operations of the Group, revenue disclosed includes the Group's share of the sales revenue earned by partnerships and unit trusts. The share of sales revenue of each partnership and unit trust is disclosed at Note 34.

NOTE 4 – PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
(a) Expenses and losses/(gains)					
Profit/(loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:					
Cost of goods sold		50,675	46,228	–	–
Borrowing costs:					
Associates		336	285	–	4
Controlled entities	36	–	–	6,193	9,298
Other persons		11,790	13,508	–	59
Finance charges on capitalised leases		1,928	991	–	–
		14,054	14,784	6,193	9,361
Net bad and doubtful debts expense including movement in the provision for doubtful debts		1,433	237	–	–
Amortisation of:					
Construction rights		254	243	–	–
Other		249	237	–	–
Intangibles (excluding unusual items listed in Note 4(b))		1,271	1,175	–	–
Leased plant and equipment		9	16	–	–
Leasehold buildings		3,839	3,483	–	–
		5,622	5,154	–	–
Depreciation		25,158	23,784	48	55
Total depreciation and amortisation (excluding unusual items listed in Note 4(b))		30,780	28,938	48	55
Net expense from movements in provision for:					
Employee benefits		5,050	5,403	(484)	102
Onerous contracts		(3,316)	(1,742)	–	–
Insurance loss contingencies and other		16	2,765	–	–
		1,750	6,426	(484)	102
Net foreign exchange (gains)/losses		(85)	204	–	–
Operating lease rental expense		93,237	58,366	24	36
Net gain on sale of investments (excluding unusual items listed in Note 4(b))		(3)	(663)	–	(663)
Net loss on sale of property, plant and equipment		95	107	–	–

NOTE 4 – PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (continued)	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
(b) Unusual items				
(Gain)/loss from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Group:				
Write-down in carrying value of Matilda Cruise business assets	4,707	–	–	–
Write-down and closure costs for the BlueRock catering business	1,666	–	–	–
Profit on sale of investments in a listed company	(4,468)	–	(4,468)	–
German cinema operations				
Write-down in carrying value of under-performing assets	2,202	–	–	–
Write-down in goodwill and other intangibles	–	65,039	–	–
Amortisation of goodwill subsequently written off	–	1,373	–	–
Profit on sale of interest in an associate entity – Val Morgan Holdings Pty Limited	–	(8,901)	–	–
Unusual items in equity accounted results				
Share of write-down in carrying value of under-performing cinema sites in joint venture partnership	2,035	–	–	–
Share of write-downs of non-current assets of Greater Union Filmpalast GmbH (refer Note 33)	–	15,232	–	–
Share of provision for lease terminations in cinema partnerships	–	1,509	–	–
	6,142	74,252	(4,468)	–

NOTE 5 – AUDITORS' REMUNERATION	The Group 2005 $	The Group 2004 $	The Company 2005 $	The Company 2004 $
Audit services:				
Auditors of the Company - KPMG Australia				
Audit and review of financial reports	745,735	836,504	270,368	208,501
Other assurance services	32,040	27,010	–	–
Overseas KPMG firms				
Audit and review of financial reports	351,222	160,256	–	–
	1,128,997	1,023,770	270,368	208,501
Other services:				
Auditors of the Company - KPMG Australia				
Income tax compliance	186,077	105,705	96,285	54,104
Income tax consolidation regime advice	72,972	158,322	72,972	158,322
Indirect tax compliance advice	28,845	16,955	–	1,508
Borrowing covenant compliance	–	3,000	–	3,000
	287,894	283,982	169,257	216,934
Overseas KPMG firms				
International income tax compliance	134,200	136,755	–	–
Indirect tax compliance advice	22,596	–	–	–
Revenue certificates compliance	10,145	14,513	–	–
	166,941	151,268	–	–
	454,835	435,250	169,257	216,934

NOTE 6 – TAXATION	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
(a) Income tax expense				
Prima facie income tax expense/(benefit) calculated at 30% on the profit/(loss) from ordinary activities	16,504	(4,472)	5,265	3,198
Increase in income tax expense due to:				
Depreciation and amortisation of buildings	482	462	–	–
Amortisation of intangibles	345	852	–	–
Write-down goodwill and intangibles	331	19,513	–	–
Depreciation of plant and equipment	179	179	–	–
Capital gain offset by capital losses in controlled entity	–	–	–	1,049
Share of associates' net loss	–	617	–	–
Provision for diminution in carrying value of investments in partnerships	447	–	–	–
Provision for lease terminations in cinema partnerships	–	453	–	–
Share of partnerships' income tax	476	1,233	–	–
Tax losses of non-resident controlled entity not carried forward as future income tax benefit	4,849	1,097	–	–
Adjustment to prior year's tax on distributions from an associated unit trust	321	–	–	–
Net higher overseas tax rate	362	75	–	–
Sundry items	439	431	139	219
	8,231	24,912	139	1,268
Decrease in income tax expense due to:				
Franking credits on dividends received	310	310	310	310
Share of associates' net profit	6,661	–	–	–
Capital profits offset by capital losses	1,997	2,758	493	199
Tax depreciation on building devaluation decrement	293	292	–	–
Adjustment to deferred tax balances	478	–	–	–
Notional interest on deferred settlement	630	416	–	–
Sundry items	–	–	–	–
	10,369	3,776	803	509
Income tax under provided in prior year	390	76	3	–
Income tax attributable to operating profit/(loss) before unusual income tax items	14,756	16,740	4,604	3,957
Unusual income tax items:				
Adjustments to deferred tax balances due to entry into the tax consolidation regime	–	(547)	–	–
Income tax expense attributable to operating profit/(loss)	14,756	16,193	4,604	3,957
Income tax expense attributable to operating profit/(loss) is made up of:				
Current income tax provision	15,968	17,275	4,606	3,881
Deferred income tax provision	(1,963)	(710)	(1)	(1)
Future income tax benefit	395	(761)	(4)	77
Tax effect on hedged investment in self-sustaining foreign operations eliminated against the foreign currency translation reserve	(355)	313	–	–
Adjustment to prior year's tax on distribution from an associated trust	321	–	–	–
Under provision in prior year	390	76	3	–
	14,756	16,193	4,604	3,957

NOTE 6 – TAXATION (continued)	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
(b) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at the beginning of the year	8,847	3,185	8,613	3,008
Income tax paid	(18,301)	(12,892)	(13,394)	(11,616)
Current year's income tax expense on operating profit	15,968	17,275	4,606	3,881
Current year's income tax provision in respect of controlled entities transferred in	–	–	7,956	12,314
Tax refunds received	–	28	–	–
Tax losses transferred	–	437	–	437
Under provision in prior year	1,355	814	3	589
	7,869	8,847	7,784	8,613
(c) Deferred tax liabilities				
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	3,682	4,744	2,604	3,773
Interest and holding charges capitalised	1,153	1,356	1,153	1,356
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	628	720	628	720
Prepayments	104	106	104	106
Share of partnership timing differences	785	1,785	785	1,785
Sundry items	434	805	401	743
	6,786	9,516	5,675	8,483
(d) Deferred tax assets				
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Provisions and accrued employee benefits not currently deductible	7,820	8,978	6,998	8,888
Unrealised foreign exchange losses not currently deductible	114	558	114	562
Deferred revenue	1,388	1,428	1,388	1,415
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	3,006	1,948	3,005	1,945
Share of partnership timing differences	1,389	999	1,389	999
Tax losses carried forward	180	319	–	121
Sundry items	68	253	733	235
	13,965	14,483	13,627	14,165
Future income tax benefits not taken to account				
The potential future income tax benefits in controlled entities, which are companies, arising from tax losses have not been recognised as an asset because recovery of tax losses is not virtually certain:				
Capital losses	12,839	15,162	12,839	15,162
Revenue losses	31,953	30,882	–	–
	44,792	46,044	12,839	15,162

NOTE 6 – TAXATION (continued)

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

(i) the relevant companies derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the relevant companies and/or the Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant companies and/or the Group in realising the benefit.

Tax consolidation legislation

During the 2003 financial year, the Company and its wholly-owned Australian subsidiaries elected to implement the tax consolidation legislation as of 1 July 2002. The entities have entered into a tax funding agreement. As a consequence, the Company, as head entity in the tax consolidated group, has recognised current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax funding agreement have been recognised by the Company as tax-related amounts receivable or payable.

NOTE 7 – DIVIDENDS	Cents per share	Total amount $'000	Date of Payment	Tax rate for franking credit	Percentage franked
Dividends on ordinary shares paid by the Company during the year are:					
2005					
Final 2004 dividend paid	7.0	8,737	22 September 2004	30%	100%
Interim 2005 dividend paid	7.0	8,802	10 March 2005	30%	100%
		17,539			
2004					
Final 2003 dividend paid	6.5	8,113	18 September 2003	30%	100%
Interim 2004 dividend paid	6.0	7,489	18 March 2004	30%	100%
		15,602			
Subsequent events					
Since the end of the year, the Directors declared the following dividends:					
Final 2005 dividend paid	11.5	14,439	22 September 2005	30%	100%

The financial effect of this final dividend in respect of the year has not been brought to account in the financial statements for the year ended 30 June 2005 and will be recognised in subsequent financial reports.

There are no shareholders' dividend plans in operation.

NOTE 7 – DIVIDENDS (continued)	The Company 2005 $'000	The Company 2004 $'000
Dividend franking account		
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of dividends:		
30% franking credits	95,320	86,878

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

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

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

NOTE 8 – EARNINGS PER SHARE

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

Further details of share options are contained in Note 27.

	The Group 2005 $'000	The Group 2004 $'000
Earnings reconciliation		
Net profit/(loss)	40,103	(31,168)
Basic and diluted earnings	40,103	(31,168)
	Number	**Number**
Weighted average number of ordinary shares used as the denominator number for basic earnings per share	125,378,839	124,814,442
Effect of management share options on issue	898,440	723,465
Number for diluted earnings per share	126,277,279	125,537,907

NOTE 9 – CASH ASSETS	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Cash on hand and on deposit		14,729	25,305	321	101

NOTE 10 – RECEIVABLES	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current					
Trade debtors		28,024	17,728	–	–
Less: Provision for doubtful trade debtors		(5,657)	(1,342)	–	–
		22,367	16,386	–	–
Other debtors		18,768	8,822	2	199
Loans to associates		591	5,520	–	1,249
Less: Provision against recovery		–	(2,962)	–	–
		591	2,558	–	1,249
Loans to partnerships		2,012	381	–	–
Short-term deposits		260	165	–	–
		43,998	28,312	2	1,448
Non-current					
Loans to associates		340	143	–	–
Loans to controlled entities	36	–	–	298,261	239,913
Loans provided under the employee share plan	27	852	1,725	852	1,725
Deferred consideration receivable		25,411	29,431	–	–
		26,603	31,299	299,113	241,638

NOTE 11 – INVENTORIES	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
At cost:					
Raw materials and stores		4,218	4,659	–	–
Work in progress		1,487	2,087	–	–
Finished goods		5,437	5,950	–	–
		11,142	12,696	–	–

NOTE 12 – OTHER CURRENT ASSETS	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Construction rights - net	17	71	246	–	–
Deferred borrowing costs - net	17	406	334	–	–
Prepayments		2,877	3,852	44	87
Property, plant and equipment held for resale		2,000	1,474	–	–
Sundry		172	242	–	–
		5,526	6,148	44	87

NOTE 13 – OTHER FINANCIAL ASSETS	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Non-current					
Investments (unquoted)					
At cost:					
Controlled entities	32	–	–	37,189	37,189
Associates		–	–	13,750	13,750
		–	–	50,939	50,939
Investments in other companies					
At cost:					
Quoted [1]		11,226	12,107	2,972	3,852
Unquoted		1,836	1,838	–	–
		13,062	13,945	53,911	54,791
Quoted market value at 30 June 2005					
[1] Shares in listed public companies		35,863	32,119	19,176	20,339

Option granted over shares in quoted company

The Company has granted an option to an unrelated company to purchase the shareholding in a quoted company held by a controlled entity. The option can be exercised during the period to 31 December 2005. The option price per share is the higher of a set amount or an average of the market value for the prior 30 days trading. A potential gain on disposal of $4,180,000 would be recognised in the statement of financial performance if and when the option is exercised at the set minimum option price.

NOTE 14 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Associates	33	61,237	55,869	–	–
Partnerships	34	117,998	116,363	–	–
Unit trust – at cost	34	–	–	–	–
		179,235	172,232	–	–

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Freehold land and buildings				
At cost	247,475	246,778	–	–
Less: Accumulated depreciation	(42,886)	(40,013)	–	–
	204,589	206,765	–	–
Land subject to long-term leases				
At cost and subject to long-term lease	56	56	–	–
At cost and subject to long-term finance lease	7,319	8,097	–	–
	7,375	8,153	–	–
Buildings and improvements subject to long-term leases				
At cost and subject to long-term lease	74,543	73,047	–	–
At cost and subject to long-term finance lease	27,895	28,661	–	–
Less: Accumulated amortisation	(35,137)	(30,992)	–	–
	67,301	70,716	–	–
Capital works in progress				
At cost	831	1,126	–	–

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Plant and equipment				
At cost	334,281	336,538	1,502	806
Less: Accumulated depreciation	(225,175)	(207,140)	(678)	(630)
	109,106	129,398	824	176
Leased plant and equipment				
At cost	9	83	–	–
Less: Accumulated amortisation	(9)	(74)	–	–
	–	9	–	–
Total property, plant and equipment at net book value	389,202	416,167	824	176
Reconciliations				
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year are set out below:				
Freehold land and buildings				
Balance at the beginning of the year	206,765	222,388	–	–
Additions	456	1,421	–	–
Transfer from capital works in progress	204	–	–	–
Transfer to property, plant and equipment held for resale	–	(1,471)	–	–
Reclassification to leasehold buildings	–	(13,486)	–	–
Net foreign currency differences on translation of self-sustaining operations	37	833	–	–
Disposals – other	–	(23)	–	–
Depreciation and carrying value adjustments	(2,873)	(2,897)	–	–
Balance at the end of the year	204,589	206,765	–	–
Land subject to long-term leases				
Balance at the beginning of the year	8,153	56	–	–
Acquisition through entity acquired	–	7,600	–	–
Net foreign currency differences on translation of self-sustaining operations	(778)	497	–	–
Balance at the end of the year	7,375	8,153	–	–
Buildings and improvements subject to long-term leases				
Balance at the beginning of the year	70,716	34,193	–	–
Additions	1,134	467	–	–
Acquisitions through entity acquired	–	22,280	–	–
Reclassification from freehold buildings	–	13,486	–	–
Transfer from capital works in progress	–	2,342	–	–
Transfer from plant and equipment	2,018	–	–	–
Net foreign currency differences on translation of self-sustaining operations	(2,422)	1,524	–	–
Disposals	–	(93)	–	–
Depreciation	(4,145)	(3,483)	–	–
Balance at the end of the year	67,301	70,716	–	–
Capital works in progress				
Balance at the beginning of the year	1,126	1,134	–	–
Net foreign currency differences on translation of self-sustaining operations	–	7	–	–
Additions	232	3,332	–	–
Transfer from capital works in progress	(527)	(3,347)	–	–
Balance at the end of the year	831	1,126	–	–

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT (continued)	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Plant and equipment				
Balance at the beginning of the year	129,398	73,159	176	216
Additions	13,948	6,967	696	15
Acquisitions through entity acquired	5,134	65,632	–	–
Transfer from capital works in progress	323	1,005	–	–
Transfer to building and improvements	(2,018)	–	–	–
Transfer to property, plant and equipment held for resale	(2,000)	(3)	–	–
Net foreign currency differences on translation of self-sustaining operations	(5,631)	4,333	–	–
Disposals	(1,008)	(429)	–	–
Reclassification to inventories	(218)	–	–	–
Depreciation and carrying value adjustments	(28,822)	(21,266)	(48)	(55)
Balance at the end of the year	109,106	129,398	824	176
Leased plant and equipment				
Balance at the beginning of the year	9	24	–	–
Net foreign currency differences on translation of self-sustaining operations	–	1	–	–
Depreciation	(9)	(16)	–	–
Balance at the end of the year	–	9	–	–

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

		The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Due to the diversity of the Group's operations, valuations have been prepared on a highest and best alternate use or existing use (going concern) basis. A summary is set out as follows:					
Highest and best alternate use:					
Independent valuation	– 2004	77,415	81,665	–	–
Existing use:					
Independent valuation	– 2004	258,437	258,437	–	–
Independent valuation	– 2003	187,317	187,317	–	–
		523,169	527,419	–	–

The written-down book value of plant and equipment integral to land and buildings has been determined to total approximately $21,500,000 as at 30 June 2005.

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

		The Group		The Company	
		2005	2004	2005	2004
NOTE 16 – INTANGIBLE ASSETS	Note	$'000	$'000	$'000	$'000
Goodwill - at cost		24,988	24,988	–	–
Less: Accumulated amortisation		(14,697)	(12,443)	–	–
		10,291	12,545	–	–
Liquor licences – at cost		263	263	–	–
		10,554	12,808	–	–

		The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
NOTE 17 – OTHER NON-CURRENT ASSETS					
Construction rights – net		1,317	1,395	–	–
Deferred borrowing costs – net		406	669	–	–
Security deposits in respect of long-term operating leases		5,563	8,490	–	–
Sundry		263	270	–	–
Wildlife		640	640	–	–
		8,189	11,464	–	–
Construction rights					
At cost		5,531	5,531	–	–
Less: Accumulated amortisation		(4,143)	(3,890)	–	–
		1,388	1,641	–	–
Split between:					
Current	12	71	246	–	–
Non-current		1,317	1,395	–	–
		1,388	1,641	–	–
Deferred borrowing costs					
At cost		1,235	1,003	–	–
Less: Accumulated amortisation		(423)	–	–	–
		812	1,003	–	–
Split between:					
Current	12	406	334	–	–
Non-current		406	669	–	–
		812	1,003	–	–

		The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
NOTE 18 – PAYABLES					
Current					
Trade creditors		24,125	21,549	–	–
Other creditors and accruals		36,735	35,608	772	883
Loans from associates		858	935	–	–
Loans from other companies		6,338	1,212	–	–
		68,056	59,304	772	883
Non-current					
Loans from associates		161	161	–	–
Loans from other companies		8,262	4,541	–	–
		8,423	4,702	–	–

NOTE 19 – INTEREST BEARING LIABILITIES		Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current						
Bank overdraft	– secured	20	–	–	–	1,102
Bank loans	– secured	20	6,772	16,932	–	–
Loans from other companies	– unsecured		312	7,089	–	–
Loans from associates	– unsecured		11,761	–	–	–
Loans from other companies	– secured		1,082	–	–	–
Lease liabilities	– secured	28	1,441	1,501	–	–
			21,368	25,522	–	1,102
Non-current						
Bank bills payable	– secured	20	140,921	184,461	–	–
Loans from controlled entities	– unsecured	36	–	–	152,737	89,467
Lease liabilities	– secured	28	22,155	26,846	–	–
			163,076	211,307	152,737	89,467

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

NOTE 20 – FINANCING ARRANGEMENTS	The Group 2005 $'000	The Group 2004 $'000
Bank loans and working capital facilities		
These facilities provide access to the following lines of credit:		
Bank overdraft	6,000	5,500
Bank bills payable	235,125	245,606
Bank loans	14,615	16,932
	255,740	268,038
Facilities utilised at reporting date:		
Bank overdraft	–	–
Bank bills payable	140,921	184,461
Bank loans	6,772	16,932
	147,693	201,393
Facilities not utilised at reporting date:		
Bank overdraft	6,000	5,500
Bank bills payable	94,204	61,145
Bank loans	7,843	–
	108,047	66,645

Bank bills payable – secured

The Group facilities comprise of an A$202,785,000 syndicated multi-currency loan facility and NZ$23,800,000 facility, both maturing on 9 July 2007. The Group also has Australian dollar working capital facilities which include bank overdraft cash advance and bank guarantee facilities totalling A$25,000,000; a NZ$250,000 cash advance facility; and a Euro dollar Letter of Credit facility for €6,000,000. All these facilities are secured by guarantees from Group entities defined under a Common Security Deed executed in July 2001, amended and restated in June 2004.

Bank loans – secured

In addition to the above facilities, Greater Union Filmpalast GmbH, a wholly owned subsidiary, has a €6,000,000 working capital facility (secured by the Euro dollar Letter of Credit facility mentioned above) and a further €5,000,000 working capital facility which is supported by the Company. Other Club Bank facilities were repaid during the year ended 30 June 2005.

		The Group		The Company	
		2005	2004	2005	2004
NOTE 21 – PROVISIONS	Note	$'000	$'000	$'000	$'000
Current					
Employee benefits	27	9,243	8,911	757	598
Onerous contracts		2,502	2,325	–	–
Insurance loss contingencies and other claims		2,576	3,489	–	–
		14,321	14,725	757	598
Non-current					
Employee benefits	27	2,082	2,141	525	634
Onerous contracts		10,585	14,078	–	–
Insurance loss contingencies and other claims		–	1,870	–	–
Support of related entities		804	2,480	–	–
		13,471	20,569	525	634
Reconciliations					
Reconciliations of the carrying amounts of each class of provisions, except for employee benefits, are set out below:					
Onerous contracts					
Carrying amount at the beginning of the year		16,403	18,145	–	–
Provisions utilised during the year		(3,316)	(1,742)	–	–
Carrying amount at the end of the year		13,087	16,403	–	–
Insurance loss contingencies and other claims					
Carrying amount at the beginning of the year		5,359	723	–	–
Increase through entity acquired		–	1,871	–	–
Payments made during the year		(16)	(20)	–	–
Provisions made during the year		16	2,785	–	–
Reclassification to other creditors - current		(1,304)	–	–	–
Reduction made during the year		(1,479)	–	–	–
Carrying amount at the end of the year		2,576	5,359	–	–
Support of related entities					
Carrying amount at the beginning of the year		2,480	2,957	–	–
Provisions made during the year		244	–	–	–
Increase through entity acquired		–	782	–	–
Reduction due to entity acquired		(782)	–	–	–
Reduction made during the year		(1,138)	(1,259)	–	–
Carrying amount at the end of the year		804	2,480	–	–

NOTE 22 – OTHER LIABILITIES				
Current				
Deferred revenue	16,222	13,847	–	–
Non-current				
Deferred revenue	4,919	6,400	–	–

NOTE 23 – CONTRIBUTED EQUITY

	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Issued and paid-up capital				
125,555,002 (2004: 124,814,442) fully-paid ordinary shares	90,871	89,311	90,871	89,311
Movements in ordinary share capital				
Balance at the beginning of the year	89,311	89,311	89,311	89,311
1,029,000 shares issued under the Management Share Option Plan	2,360	–	2,360	–
288,440 employee shares bought back on forfeiture	(800)	–	(800)	–
Balance at the end of the year	90,871	89,311	90,871	89,311

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

Note 27 provides details of ordinary share options.

NOTE 24 – RESERVES

	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Asset revaluation	10,847	10,847	13,497	13,497
Asset realisation	81,750	81,750	22,288	22,288
General	735	735	474	474
Foreign currency translation	(5,920)	(3,215)	–	–
	87,412	90,117	36,259	36,259
Asset revaluation				
Balance at the beginning of the year	10,847	10,847	13,497	13,497
Balance at the end of the year	10,847	10,847	13,497	13,497
Asset realisation				
Balance at the beginning of the year	81,750	81,750	22,288	22,288
Balance at the end of the year	81,750	81,750	22,288	22,288
General				
Balance at the beginning of the year	735	735	474	474
Balance at the end of the year	735	735	474	474
Foreign currency translation				
Balance at the beginning of the year	(3,215)	(1,371)	–	–
Translation adjustment on controlled foreign entities' financial statements	(1,717)	(2,194)	–	–
Share of associates' (decrement)/increment in foreign currency translation reserve	(988)	350	–	–
Balance at the end of the year	(5,920)	(3,215)	–	–

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

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

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

NOTE 24 – RESERVES (continued)

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

NOTE 25 – RETAINED EARNINGS

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Balance at the beginning of the year	190,597	237,367	77,056	85,955
Net profit/(loss) attributable to members of the parent entity	40,103	(31,168)	12,945	6,703
Dividends recognised during the year	(17,539)	(15,602)	(17,539)	(15,602)
Balance at the end of the year	213,161	190,597	72,462	77,056

NOTE 26 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

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

The approved range of interest rate cover is based on the projected debt levels for each currency and reduced for each future year. The Group currently hedges interest bearing debt in A$, € and NZ$ with cover at 30 June 2005 extending to September 2009 in A$, June 2006 in € and December 2007 in NZ$. At 30 June 2005, the Group had 80% (2004: 77%) of debt hedged at an average effective rate of 5.27% (2004: 5.32%).

	A$	€	NZ$	Total
Financial arrangements				
30 June 2005				
Total debt (A$'000)	126,500	46,204	10,085	182,789
Percentage hedged	71%	100%	91%	80%
Average rate	5.37%	4.83%	6.24%	5.27%
30 June 2004				
Total debt (A$'000)	147,000	69,456	13,284	229,740
Percentage hedged	68%	100%	35%	77%
Average rate	5.84%	4.57%	5.85%	5.32%

NOTE 26 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

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

		2005					2004				
	Note	Weighted average interest rate (per annum) %	Fixed interest rate $'000	Floating interest rate $'000	Non-interest bearing $'000	Total $'000	Weighted average interest rate (per annum) %	Fixed interest rate $'000	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets											
Cash on hand and on deposit – A$		5.24	–	9,021	–	9,021	4.86	–	14,952	–	14,952
Cash on hand and on deposit – foreign currencies		3.55	–	493	5,215	5,708	3.96	–	1,201	9,152	10,353
Total cash	9	5.15	–	9,514	5,215	14,729	4.79	–	16,153	9,152	25,305
Security deposits in respect of long-term operating leases	17	1.80	–	5,563	–	5,563	1.74	–	8,490	–	8,490
Trade debtors	10	–	–	–	28,024	28,024	–	–	–	17,728	17,728
Other receivables	10	–	–	–	44,439	44,439	–	–	–	38,418	38,418
Loans to associates	10	–	–	–	931	931	–	–	–	5,663	5,663
Loans to partnerships	10	–	–	–	2,012	2,012	–	–	–	381	381
Loans provided under employee share plan	10	–	–	–	852	852	–	–	–	1,725	1,725
		–	–	15,077	81,473	96,550		–	24,643	73,067	97,710
Financial liabilities											
Bank bills payable	19	6.30	–	140,921	–	140,921	6.53	–	184,461	–	184,461
Bank loans	19	3.39	–	6,772	–	6,772	4.13	–	16,932	–	16,932
Lease liabilities	19	6.61	–	23,596	–	23,596	6.61	–	28,347	–	28,347
Loans from associates	19	6.04	–	11,500	261	11,761	–	–	–	–	–
Payable to other companies	19	3.23	1,394	–	–	1,394	6.31	7,089	–	–	7,089
Payables	18	–	–	–	76,479	76,479	–	–	–	64,006	64,006
Provision for onerous contracts	21	–	–	–	13,087	13,087	–	–	–	16,403	16,403
Employee benefits and other provisions	21	–	–	–	13,901	13,901	–	–	–	16,411	16,411
			1,394	182,789	103,728	287,911		7,089	229,740	96,820	333,649

Foreign exchange risk

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

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

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

NOTE 26 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (Continued)	Weighted average rate 2005	Weighted average rate 2004	The Group 2005 $'000	The Group 2004 $'000
Sell USD				
Not longer than one year	–	0.69	–	725
			–	725

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

	The Group Net gain/(loss) 2005 $000	The Group Net gain/(loss) 2004 $000
Not later than one year	–	(3)

There were no foreign currency contracts outstanding as at 30 June 2005.

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

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

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

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

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

Interest rate derivatives and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Group pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The full amount of the exposure is disclosed above. The credit risk on interest rate derivatives is limited to the net amount to be received from counterparties on contracts that are favourable to the Group. The net fair value due to the Group at 30 June 2005 amounted to A$382,984 (2004: A$819,000).

Net fair values of financial assets and liabilities

Valuation approach
Net fair values of financial assets and liabilities are determined by the Group on the following basis:

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

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

NOTE 26 – ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

Unrecognised financial instruments

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

	The Group	
	2005 $'000	2004 $'000
Interest rate swaps	(10)	626
Interest rate options	(265)	(310)
Foreign exchange contracts	–	(3)
	(275)	313

In securing certainty over future interest payments and other cash flows by hedging certain transactions, the Group has incurred a net notional loss of A$275,000 (2004: notional gain $313,000).

NOTE 27 – EMPLOYEE BENEFITS

	The Group		The Company	
	2005	2004	2005	2004
Number of equivalent full time employees				
Number of equivalent full time employees at year end	3,191	3,120	26	21

	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Employee benefits					
Aggregate liability for employee benefits including on-costs					
Current					
Employee benefits provision	21	9,243	8,911	757	598
Non-current					
Employee benefits provision	21	2,082	2,141	525	634
		11,325	11,052	1,282	1,232

Management Share Option Plan

During the year, the following options were issued:

Issue Date	Expiry Date	Exercise Price	Number of Options
16 September 2004	30 September 2008	$3.72	250,000

Unissued ordinary shares of the Company under option are:

Issue Date	Expiry Date	Exercise Price	Number of Options
30 October 2000	30 October 2005	$2.27	225,000
5 February 2002	30 September 2006	$2.26	473,500
20 December 2002	30 September 2006	$2.22	250,000
20 November 2003	30 September 2008	$2.75	450,000
11 December 2003	30 September 2008	$3.35	1,827,500
17 June 2004	30 September 2008	$3.14	50,000
16 September 2004	30 September 2008	$3.72	250,000
			3,526,000

Options issued to each eligible employee ranged from 2,500 to 1,225,000 options. 74 employees hold options at reporting date. During the year, employees exercised options to acquire 1,029,000 fully paid ordinary shares in the Company at a weighted average exercise price of $2.29. No options have been exercised since the end of the year.

NOTE 27 – EMPLOYEE BENEFITS (continued)

Management share options issued on or after 5 February 2002 with an expiry date of 30 September 2006
These options vested on 30 September 2004. Since vesting 854,000 options have been exercised to acquire fully paid ordinary shares. Options on issue under this plan total 723,500 as at 30 June 2005 and, if not exercised, the options will expire on 30 September 2006.

The ability to exercise these options was conditional on the Group achieving certain performance hurdles relating to increases in operating profit (5% per annum), earnings per share (5% per annum) and the market value of the Company's share price (10% per annum).

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

Management share options issued on or after 5 February 2002 with an expiry date of 30 September 2008
Options on issue under this plan total 2,577,500 as at 30 June 2005 and, if not exercised, the options will expire on 30 September 2008.

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

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

Management share options issued prior to 5 February 2002
Options issued on 30 October 2000 were issued under rules existing at that time. These options vested on 30 October 2003. During the year 175,000 options have been exercised to acquire fully paid ordinary shares. Options on issue under this plan total 225,000 as at 30 June 2005 and, if not exercised, the options will expire on 30 October 2005. The ability to exercise these options was dependent on the Group achieving a performance hurdle relating to increased shareholder value of 10% per annum.

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

Employee share plan
At 30 June 2005, the total shares issued under the plan was 190,500. There were no shares issued during the year. 288,440 forfeited shares were bought back by the Company 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 2005 was $4.30.

Note 23 provides details of the movement in the ordinary share capital during the year.

NOTE 28 – COMMITMENTS	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Capital expenditure commitments					
Contracted but not provided for and payable:					
Not later than one year		1,158	–	–	–
Operating lease commitments					
Future operating lease rentals not provided for and payable:					
Not later than one year		92,743	88,495	21	19
Later than one year but not later than five years		358,957	343,204	35	10
Later than five years		657,926	696,842	10	–
		1,109,626	1,128,541	66	29
Finance lease commitments					
Finance lease rentals are payable as follows:					
Not later than one year		3,155	3,500	–	–
Later than one year but not later than five years		12,621	13,963	–	–
Later than five years		23,138	29,089	–	–
		38,914	46,552	–	–
Less: Future lease finance charges		(15,318)	(18,205)	–	–
		23,596	28,347	–	–
Lease liabilities provided for in the accounts:					
Current	19	1,441	1,501	–	–
Non-current	19	22,155	26,846	–	–
Total lease liability		23,596	28,347	–	–
Venue hire capital contribution commitments					
Controlled entity commitments in respect of venue hire capital contribution not included in the Group's financial statements amounted to:		50	150	–	–

NOTE 29 – CONTINGENT LIABILITIES	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Details of contingent liabilities and contingent assets which although considered remote, the Directors consider should be disclosed.				
The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.				
In respect of controlled entities				
The Company has guaranteed the obligations of some controlled entities in respect of a number of lease commitments.				
The operating lease commitments not included in the Company's financial statements are due:				
Not later than one year	–	–	55,581	48,746
Later than one year but not later than five years	–	–	123,854	133,351
Later than five years	–	–	150,327	238,625
	–	–	329,762	420,722
The finance lease commitments not included in the Company's financial statements. Refer Note 28.	–	–	23,596	28,347
The Company has guaranteed the Group's share of other commitments in respect of financing arrangements of certain controlled entities:	–	–	9,577	17,712
Certain controlled entities hold interests in partnerships (refer Note 34 for details), and as such are jointly and severally liable for 100% of all liabilities incurred by those partnerships. The total assets of the partnerships are sufficient to meet such liabilities. The partnerships' liabilities not included in the Group's financial statements, amounted to:	41,365	56,910	–	–
In addition, the Company or a controlled entity has guaranteed the obligations of entities within the Group in respect of the lease commitments of certain partnerships. The partnerships' operating lease commitments, not included in the Group's financial statements, guaranteed by the Company or a controlled entity are due:				
Not later than one year	43,232	47,977	14,495	15,531
Later than one year but not later than five years	176,404	189,927	57,140	61,908
Later than five years	337,540	383,309	106,317	128,017
	557,176	621,213	177,952	205,456
In addition to the above, a controlled entity has given rental and other guarantees in respect of an interest in a limited partnership amounting to:	–	6,819	–	–
The Company has also guaranteed the Group's share of other commitments in respect of financing and other arrangements of certain partnerships:	1,571	2,255	1,571	2,255

NOTE 29 – CONTINGENT LIABILITIES (continued)	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Associates				
The Company or a controlled entity has guaranteed the Group's share of obligations made by certain associates (refer Note 33) in respect of operating lease commitments	62,036	35,759	62,036	35,759
The Company has guaranteed the Group's share of other commitments in respect of financing arrangements of certain associates	7,921	8,597	7,921	8,597
Total contingent liabilities	670,069	731,553	612,415	718,848

Litigation
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 such claims will not have a significant impact on the operating result of the Group in current and future reporting periods, with the aggregate exposure of all current claims not exceeding an amount of $2,000,000.

NOTE 30 – DEED OF CROSS GUARANTEE

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

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

The controlled entities subject to the Deed are:

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

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2005 are set out on the following page.

NOTE 30 – DEED OF CROSS GUARANTEE (continued)	The Group 2005 $'000	2004 $'000
Statement of financial performance		
Operating profit/(loss) before income tax	55,300	(19,263)
Income tax attributable to operating profit	(15,197)	(14,813)
Net profit/(loss)	40,103	(34,076)
Retained earnings at the beginning of the year	205,971	255,649
Dividends recognised during the year	(17,539)	(15,602)
Retained earnings at the end of the year	228,535	205,971
Statement of financial position		
Cash assets	9,486	16,293
Receivables	28,885	19,851
Inventories	8,347	9,907
Other	4,602	5,052
Total current assets	51,320	51,103
Receivables	37,688	29,748
Loans to controlled entities	8,595	–
Investments in controlled entities	59,357	69,394
Investments accounted for using the equity method	179,235	172,232
Other financial assets	13,062	12,107
Property, plant and equipment	279,192	292,014
Intangible assets	6,690	8,708
Deferred tax assets	10,972	13,159
Other	4,328	2,978
Total non-current assets	599,119	600,340
Total assets	650,439	651,443
Payables	30,669	33,213
Interest bearing liabilities	2,456	–
Current tax liabilities	14,370	6,190
Provisions	5,289	14,939
Other	11,119	10,268
Total current liabilities	63,903	64,610
Payables	8,424	4,702
Loans from controlled entities	–	9,748
Interest bearing liabilities	148,559	166,803
Deferred tax liabilities	5,775	8,653
Provisions	13,167	11,980
Other	502	575
Total non-current liabilities	176,427	202,461
Total liabilities	240,330	267,071
Net assets	410,109	384,372
Equity		
Contributed equity	90,871	89,311
Reserves	90,703	89,090
Retained earnings	228,535	205,971
Total equity	410,109	384,372

NOTE 31 – CONTROLLED ENTITIES

	The Group 2005 $'000	The Group 2004 $'000
a) Acquisition of controlled entities		
Neue Filmpalast GmbH & Co. KG		
The Group increased its interest in Neue Filmpalast GmbH & Co. KG from 50% to 100% on 1 September 2004. The operating results from that date have been included in the consolidated operating results. Prior to this increase, Neue Filmpalast GmbH & Co. KG was accounted for as a partnership investment. Refer also to Note 34.		
Carrying value of 50% interest immediately prior to 1 September 2004	–	–
Less: 50% share of fair value adjustments on acquisition	–	–
	–	–
Consideration for additional 50% interest	39	–
	39	–
Fair value of assets acquired:		
Cash	6,378	–
Cash - security deposits	3,852	–
Property, plant and equipment	4,835	–
Investments	–	–
Other net liabilities	(15,026)	–
	39	–
Goodwill on acquisition	–	–
Total consideration and carrying value of initial 50% interest	39	–
Greater Union Filmpalast GmbH		
The Group increased its interest in Greater Union Filmpalast GmbH from 50% to 100% on 2 December 2003. The operating results from that date have been included in the consolidated operating results. Prior to this increase, Greater Union Filmpalast GmbH was accounted for as an associate. Refer also to Notes 32 and 33.		
Carrying value of 50% interest immediately prior to 2 December 2003	–	80,839
Less: 50% share of fair value adjustments on acquisition	–	(15,232)
	–	65,607
Consideration for additional 50% interest	–	12,195
	–	77,802
Fair value of assets acquired:		
Cash	–	6,172
Cash - security deposits	–	12,054
Property, plant and equipment	–	94,987
Investments	–	3,319
Other net liabilities	–	(109,290)
	–	7,242
Goodwill on acquisition	–	70,560
Total consideration and carrying value of initial 50% interest	–	77,802

Under the terms of the Share Purchase Agreement for the additional 50% interest in Greater Union Filmpalast GmbH, the vendors are entitled to incentive payments over a three-year term and a final payment after three years, if trading cash flow performance conditions are met. Any final payment after three years is dependent on a multiple of trading cash flow, before interest and tax, for the business for the calendar year 2006, less financial debt of the business, exceeding an agreed amount. Alternatively, if the business is sold, or partly sold, the vendors are entitled to a payment if the consideration received exceeds a set amount.

NOTE 32 – PARTICULARS IN RELATION TO CONTROLLED ENTITIES	Note	Class of Share	Entity Interest 2005 %	Entity Interest 2004 %
a) Particulars in relation to controlled entities				
Parent entity				
Amalgamated Holdings Limited				
Controlled entities				
Ancona Investments Pty Limited		Ord	100	100
Atlab Kine Services Pty Limited		Ord	100	100
Greater Entertainment Pty Limited		Ord	100	100
Mamasa Pty Limited		Ord	100	100
R.D.T. Pty Limited		Ord	100	100
Zollverein Pty Limited		Ord	100	100
Greattheatre Pty Limited		Ord	100	100
Birch, Carroll & Coyle Limited		Ord	100	100
Roadshow (Qld) Pty Limited		Ord	100	100
The Greater Union Organisation Pty Limited		Ord	100	100
Amalgamated Holdings Superannuation Fund Pty Limited		Ord	100	100
Canberra Theatres Limited		Ord	100	100
Chyadis Pty Limited		Ord	100	100
G.U.O. Investments (WA) Pty Limited		Ord	100	100
Glenelg Theatres Proprietary Limited		Ord	100	100
Greater Occasions Australia Pty Limited		Ord	100	100
Greater Union Holdings Limited	(b)	Ord	100	100
Greater Union International Holdings Pty Limited		Ord	100	100
Greater Union International BV	(e)	Ord	100	100
Edge Investments BV	(e)	Ord	100	100
Greater Union International GmbH	(f)	Ord	100	100
Greater Union Entertainment Technology Germany GmbH	(f)	Ord	100	100
Greater Union Filmpalast GmbH	(h), (f)	Ord	100	100
CFM Cinema Facility Management GmbH	(f)	Ord	51	51
Greater Union Limited	(c)	Ord	100	100
Greater Union Nominees Pty Limited		Ord	100	100
Greater Union Screen Entertainment Pty Limited		Ord	100	100
Image and Sound Technology Pty Limited		Ord	100	100
Beachcode Limited	(a), (c)	Ord	100	100
Filmlab Systems International Limited	(a), (c)	Ord	100	100
Colorfilm (New Zealand) Pty Limited		Ord	100	100
Elsternwick Properties Pty Limited		Ord	100	100
Filmlab Engineering Pty Limited		Ord	100	100
Jatronics Pty Limited		Ord	100	100
The Video Film Company Pty Limited		Ord	100	100
Greater Union Entertainment Technology Pte Limited	(g)	Ord	100	100
Greater Union Filmpalast Dortmurd GmbH	(f)	Ord	100	100
Greater Union Filmpalast Rhein-Main GmbH	(f)	Ord	100	100
Greater Union Filmpalast Mainz GmbH & Co. KG	(f)	Ord	100	100
Neue Filmpalast GmbH & Co. KG	(f), (i)	Ord	100	50
Greater Union Betriebsmittel GmbH	(f)	Ord	100	100
Neue Filmpalast Beteiligungs GmbH	(f), (i)	Ord	100	–
Neue Filmpalast Management GmbH	(f), (i)	Ord	100	50
Greater Union Management Mainz GmbH	(f)	Ord	100	100
Greater Union Cinemas GmbH & Co. KG	(f)	Ord	100	–
Erste Kinoabspielstatten GmbH & Co. KG	(f)	Ord	100	–
Erste Kinoabspielstatten GmbH	(f)	Ord	100	–
Greater Union Cinema Verwaltungs GmbH	(f)	Ord	100	–
Greater Union Theaters GmbH & Co. KG	(f)	Ord	100	–
Multiplex Cinemas Oberhausen GmbH	(f)	Ord	100	–
Multiplex Cinemas Magdeburg GmbH	(f)	Ord	100	–
"Caroline" Einhundertsiebte Vermogensverwaltungsgesellschaft mbH Hamburg	(f)	Ord	100	–
"Caroline" Einhundertfurfte Vermogensverwaltungsgesellschaft mbH Hamburg	(f)	Ord	100	–

NOTE 32 – PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)	Note	Class of Share	Entity Interest 2005 %	Entity Interest 2004 %
Gutace Holdings Pty Limited		Ord	100	100
Haymarket's Tivoli Theatres Pty Limited		Ord	100	100
Tannahill Pty Limited		Ord	100	100
Kidsports Australia Pty Limited		Ord	100	100
Kosciusko Thredbo Pty Limited		Ord	100	100
Pantami Pty Limited		Ord	100	100
KTPL Unit Trust			100	100
Thredbo Resort Centre Pty Limited		Ord	100	100
Rydges Hotels Limited		Ord	100	100
Blue Rock Management Group Pty Limited		Ord	100	100
Blue Rock Venue Management Pty Limited		Ord	100	100
Haparanda Pty Limited		Ord	100	100
BLN Hotels Property Unit Trust			100	100
Highway's International Hotels Pty Limited		Ord	100	100
Highway Village Motels Pty Limited		Ord	100	100
Highway Village Motel (Mount Gambier) Pty Limited		Ord	100	100
Kvarken Pty Limited		Ord	100	100
Bryson Hotel Pty Limited		Ord	100	100
Bryson Hotel Property Unit Trust			100	100
Lakeside Hotel Pty Limited		Ord	100	100
Lakeside Hotel Property Unit Trust			100	100
Northside Gardens Hotel Pty Limited		Ord	100	100
Northside Gardens Hotel Property Unit Trust			100	100
Rydges Hobart Hotel Pty Limited		Ord	100	100
Rydges Hobart Hotel Property Unit Trust			100	100
Noahs Hotels (N.Z.) Limited	(a), (d)	Ord	100	100
		Pref	100	100
Rydges Queenstown Hotel Limited	(a), (d)	Ord	100	100
Noahs Limited		Ord	100	100
		Pref	100	100
R.Q. Motels Pty Limited		Ord	100	100
Rydges Hotels Resorts Asia Pte Limited	(g)	Ord	100	100
Sonata Hotels Pty Limited		Ord	100	100
Bryson Centre Unit Trust			100	100
Lakeside International Hotel Unit Trust			100	100
Sail Venture Cruises Pty Limited		Ord	100	100
The Geelong Theatre Company Limited		Ord	100	100
		Pref	100	100
Tobeon Pty Limited		Ord	100	100
Tourism & Leisure Pty Limited		Ord	100	100
Featherdale Farm & Aviaries Pty Limited		Ord	100	100
Featherdale Holdings Pty Limited		Ord	100	100
Matilda Cruises Pty Limited		Ord	100	100
Rocket Express Ferries Pty Limited		Ord	100	100
Whale Watch Cruises Pty Limited		Ord	100	100
Western Australia Cinemas Proprietary Limited		Ord	100	100

Notes:
(a) These companies are audited by other member firms of KPMG International.
(b) This company was incorporated and is domiciled in Jersey.
The company has a 31 December reporting date.
(c) These companies were incorporated in and carry on business in the United Kingdom.
(d) These companies were incorporated in and carry on business in New Zealand.
(e) This company was incorporated in and carries on business in The Netherlands.
(f) These companies were incorporated in and carry on business in Germany.
(g) These companies were incorporated in and carry on business in Singapore.
(h) 50% interest held prior to 2 December 2003 (refer to Note 31).
(i) 50% interest held prior to 1 September 2004 (refer to Note 31).

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

NOTE 33 – INVESTMENTS IN ASSOCIATES	The Group 2005 $'000	2004 $'000
Results of associates		
Share of associates' operating profit before income tax	31,569	21,593
Share of associates' income tax expense attributable to operating profit	(8,702)	(8,146)
Shares of associates' net profit	22,867	13,447
Adjustments:		
Amortisation of goodwill arising from investment	(664)	(273)
Provision for write-down of specific underperforming cinema sites	–	(15,232)
Share of associates' net profit/(loss) – equity accounted	22,203	(2,058)
Share of post-acquisition retained earnings and reserves attributable to associates		
Retained earnings		
Share of associates' retained earnings at the beginning of the year	4,057	18,615
Share of net profit/(loss) of associates	22,203	(2,058)
Distributions from associates	(13,294)	(12,500)
Share of associates' retained earnings at the end of the year	12,966	4,057
Asset realisation reserve		
Share of associates' asset realisation reserve at the beginning of the year	696	696
Share of associates' asset realisation reserve at the end of the year	696	696
General reserve		
Share of associates' general reserve at the beginning of the year	374	374
Share of associates' general reserve at the end of the year	374	374
Foreign currency translation reserve		
Share of associates' foreign currency translation reserve at the beginning of the year	(758)	(1,109)
Share of (decrement)/increment in foreign currency translation reserve of associates	(988)	351
Share of associates' foreign currency translation reserve at the end of the year	(1,746)	(758)
Movements in carrying amount of associates		
Carrying amount of associates at the beginning of the year	55,869	121,729
Net additional investments in associates	(31)	6,879
Foreign currency translation movements	(1,627)	(3,515)
Share of associates' net profit/(loss)	22,203	(2,058)
Share of equity accounted profits reversed against provision for support	(1,138)	(1,259)
Share of equity accounted profits booked to provision for support	243	–
Distributions received from associates	(13,294)	(12,500)
Increase in associate due to restructure	–	12,557
Share of (decrement)/increment in associates' reserves	(988)	351
Reclassification of associate to controlled entity	–	(64,366)
Associate acquired through acquisition of a controlled entity	–	2,132
Disposal of equity investment	–	(4,081)
Carrying amount of associates at the end of the year	61,237	55,869

	The Group	
NOTE 33 – INVESTMENTS IN ASSOCIATES (continued)	**2005 $'000**	**2004 $'000**
Commitments		
Share of associates' capital expenditure commitments contracted but not provided for and payable		
Not later than one year	1,183	–
Later than one year but not later than five years	–	–
	1,183	–
Share of associates' operating lease commitments payable		
Not later than one year	6,105	5,461
Later than one year but not later than five years	23,027	19,586
Later than five years	40,826	38,892
	69,958	63,939
Share of associates' finance lease commitments payable		
Not later than one year	186	197
Later than one year but not later than five years	263	473
Later than five years	–	–
	449	670
Less: Future lease finance charges	(28)	(64)
	421	606

Share of associates' contingent liabilities
Refer to Note 29.

NOTE 33 – INVESTMENTS IN ASSOCIATES (continued)

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

Name	Principal activities	Class of share	Interest 2005 %	Interest 2004 %	Investment carrying amount 2005 $'000	Investment carrying amount 2004 $'000	Contribution to operating profit 2005 $'000	Contribution to operating profit 2004 $'000
Atlab Holdings Pty Limited	Multiple copy film release printing and post-production facility	Ord	50	50	1,903	(d) –	3,041	1,259
Cinema Developments Pty Limited	Investor	Ord	50	50	–	–	–	–
Cinesound Movietone Productions Pty Limited	Film owner and distributor	Ord	50	50	116	101	15	20
Cinestar Sp.Z.o.o	Film exhibitor	Ord	50	50	–	–	–	–
CS Konstanz GmbH	Film exhibitor	Ord	50	–	341	–	(66)	–
Filmpalast an ZKM Karlsruhe GmbH	Film exhibitor	Ord	50	50	2,245	2,695	526	563
Greater Union Filmpalast GmbH	Film exhibitor	Ord	–	(e) –	–	(e) –	–	(f) (23,934)
Greater Union Kieft BV	Film exhibitor	Ord	33	33	590	1,154	92	121
Hindmarsh Square Entertainments Pty Limited	Property owner and film exhibitor	Ord	50	50	987	1,061	(65)	(170)
MAF Greater Union LLC	Film exhibitor	Ord	49	49	10,181	10,386	2,097	1,382
Roadshow Distributors Pty Limited	Film distributor	Ord	50	50	44,874	(h) 40,423	16,857	15,917
Val Morgan Holdings Pty Limited	Screen advertising	Ord	–	(g) –	–	(g) –	–	2,815
Village Drive-In (Essendon) Pty Limited	Investor	Group A Ord	50	50	–	–	–	–
Village Roadshow Netherlands BV	Film distributor	Ord	50	50	(h) –	49	(294)	(31)
					61,237	55,869	22,203	(2,058)

(a) Dividends received from associates for the year ended 30 June 2005 by the Group amount to $88,000 (2004: $Nil).
(b) Cinestar Sp.Z.o.o and MAF Greater Union LLC were incorporated in Poland and the United Arab Emirates respectively. Greater Union Filmpalast GmbH, CS Konstanz GmbH and Filmpalast an ZKM Karlsruhe GmbH were incorporated in Germany. Greater Union Kieft BV and Village Roadshow Netherlands BV were incorporated in The Netherlands.
(c) The reporting date of all associates is 30 June, with the exception of MAF Greater Union LLC which has a reporting date of 31 December.
(d) Atlab Holdings Pty Limited ("Atlab") became an associate on 9 September 2002. Atlab had negative assets, for which a provision for support was raised in respect of the Group's share of these negative net assets. This provision has been reversed as profits were generated by Atlab and the Group's equity share of these profits were recognised.
(e) Greater Union Filmpalast GmbH became a wholly owned subsidiary on 2 December 2003. Refer Note 32.
(f) The loss recorded for Greater Union Filmpalast GmbH in the 2004 year includes the Group's share of the equity accounted result of this entity from 1 July to 2 December 2003. This result included the Group's share, amounting to $15,232,000 of a provision for write-downs in the carrying value of specific underperforming cinema sites and fair value adjustments to other non current assets. The results of this entity are consolidated from 2 December 2003.
(g) The investment in Val Morgan Holdings Pty Limited was sold on 12 March 2004.
(h) Village Roadshow Netherlands BV has negative net assets, for which a provision for support has been raised in respect of the Group's share of these negative net assets.

NOTE 33 – INVESTMENTS IN ASSOCIATES (continued)	The Group 2005 $'000	The Group 2004 $'000
Summary of performance and financial position of associates		
The Group's share of aggregate assets, liabilities and net profit/(loss) of associates is as follows:		
Net profit/(loss) – as reported by associates	20,712	(1,452)
Adjustments arising from equity accounting	1,491	(606)
Net profit/(loss) – equity adjusted	22,203	(2,058)
Current assets	105,519	122,006
Non-current assets	52,972	55,981
Total assets	158,491	177,987
Current liabilities	73,099	94,372
Non-current liabilities	34,718	40,574
Total liabilities	107,817	134,946
Net assets – as reported by associates	50,674	43,041
Adjustments arising from equity accounting:		
Goodwill (net of amortisation)	11,991	12,642
Foreign exchange translation	(1,413)	211
Other	(15)	(25)
Net assets – equity adjusted	61,237	55,869

NOTE 34 – INVESTMENTS IN PARTNERSHIPS AND UNIT TRUSTS

			Profit share		Investment carrying amount		Share of sales revenue		Contribution to operating profit	
Name	Principal activities	Nature of interest	2005 %	2004 %	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
(i) Partnerships										
Arndale Cinema Centre Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	[g] –	50	[g] –	11,729	[g] –	11,723	[g] –	1,876
Australian Theatres Joint Venture	Owner and operator of multiscreen cinema complexes	Share of partnership assets	50	50	94,171	74,001	125,447	110,563	[f] 13,761	[f] 14,204
Broadway Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	5,683	6,069	5,679	6,137	878	1,071
Browns Plains Multiplex Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	33	33	185	240	1,191	1,275	55	85
Castle Hill Multiplex Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	33	33	4,006	4,298	5,640	5,865	1,208	1,345
Casuarina Cinema Centre Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	5,315	7,062	8,703	11,105	1,395	1,621
Fountaingate Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	[g] –	50	[g] –	3,606	[g] –	4,718	[g] –	267
Garden City Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	33	33	2,349	2,195	4,088	4,461	674	942
Geelong Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	[d] 50	[d] 50	(523)	(351)	3,012	3,189	78	178
Jam Factory Cinema Operations Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	1,413	1,265	7,001	7,422	398	299
Jam Factory Shopping Centre Partnership	Property investor	Share of partnership assets	[d] 50	[d] 50	–	–	–	–	–	(310)
Movieline Partnership	Owner and operator of a cinema ticketing service	Share of partnership assets	33	33	–	–	–	–	–	(207)
Neue Filmpalast GmbH & Co KG	Film exhibitor	Share of assets in limited partnership	[c] –	50	[c] –	[c] –	8,111	50,488	(456)	(1,659)
Perth Cinecentre Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	45	45	95	108	1,722	2,057	47	(96)
Piccadilly Cinema	Owner and operator of a multiscreen cinema complex	Share of partnership assets	30	30	581	675	648	688	63	117
Shellharbour Cinema Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	74	174	2,114	2,329	36	113
		C/fwd			113,349	111,071	173,356	222,020	18,137	19,846

NOTE 34 – INVESTMENTS IN PARTNERSHIPS AND UNIT TRUSTS (continued)

Name	Principal activities	Nature of interest	Profit share 2005 %	Profit share 2004 %	Investment carrying amount 2005 $'000	Investment carrying amount 2004 $'000	Share of sales revenue 2005 $'000	Share of sales revenue 2004 $'000	Contribution to operating profit 2005 $'000	Contribution to operating profit 2004 $'000
		B/fwd			113,349	111,071	173,356	222,020	18,137	19,846
Southbank Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	(d) 50	(d) 50	–	–	–	–	–	(197)
Southport 6 Cinemas	Operator of a multiscreen cinema complex	Share of partnership assets	(b) 51	(b) 51	864	1,014	2,495	2,579	340	395
Toowoomba Cinema Centre Partnership	Operator of a multiscreen cinema complex	Share of partnership assets	50	50	1,515	1,639	3,268	3,408	376	461
Village Greater Union Parramatta Partnership	Operator of multiscreen cinema complexes	Share of partnership assets	(d) 50	(d) 50	2,270	2,639	1,694	2,004	(369)	(179)
					117,998	116,363	180,813	230,011	18,484	20,326
(ii) Trusts										
Roadshow Direct Unit Trust	Direct marketing of collectables	Share of assets and profit of unit trust	50	50	(a) –	(a) –	–	–	–	–
Roadshow Television Unit Trust	Sale of films to television networks	Share of profit of unit trust	(e) –	(e) –	(e) –	(e) –	–	12,309	–	1,232
					–	–	–	12,309	–	1,232

(a) Provision for support has been raised against this entity.
(b) The partnership is not consolidated as the Group does not have control over its management and strategic objectives.
(c) Neue Filmpalast GmbH & Co KG became wholly owned on 1 September 2004. Refer Note 31.
(d) Provision for diminution in the value of the investment carrying amount has been raised against this entity in prior years.
(e) Roadshow Television Unit Trust was merged into Roadshow Distributors Pty Limited (refer Note 33) as at 29 June 2004.
(f) 2005 profit is after the impact of the Group's share of a provision for the write-down in the carrying value of specific under-performing cinema sites amounting to $2,035,000. 2004 profit includes the Group's share, amounting to $1,509,000, of a provision for cinema site lease terminations.
(g) Partnership transferred to Australian Theatres Joint Venture on 1 July 2004.

NOTE 34 – INVESTMENTS IN PARTNERSHIPS AND UNIT TRUSTS (continued)

During the year, the cinema partnerships purchased management services of $5,615,000 (2004: $7,582,000), block and artwork of $145,000 (2004: $147,000) and other services of $293,000 (2004: $290,000) from the Group. These transactions were on normal commercial terms.

	The Group	
	2005 $'000	2004 $'000
The Group's share of the partnerships' assets and liabilities consists of:		
Current assets	15,593	17,045
Non-current assets	88,009	102,471
Total assets	103,602	119,516
Current liabilities	15,130	29,301
Non-current liabilities	4,743	9,601
Total liabilities	19,873	38,902
Share of net assets	83,729	80,614
Movements in carrying amount of partnerships		
Carrying amount of partnerships at the beginning of the year	116,363	121,311
Net additional investments in partnerships	5,150	3,516
Contributions for capital	–	7,864
Share of partnership profit	18,484	20,326
Share of equity accounted losses booked as provision for support	456	(1,306)
Gross distributions	(22,420)	(35,315)
Amortisation of capitalised interest	(35)	(33)
Carrying amount of partnerships at the end of the year	117,998	116,363
Refer to Note 29 for details of contingencies.		
Share of limited partnerships operating lease commitments payable		
Not later than one year	–	10,720
Later than one year but not later than five years	–	41,741
Later than five years	–	61,759
	–	114,220

NOTE 35 – DIRECTOR AND EXECUTIVE DISCLOSURES

Details of remuneration policies, service contracts and details of remuneration policies are included 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	13
Managing Director and executive remuneration	13
Fixed remuneration	14
Variable remuneration – short term incentive ("STI")	14
Variable remuneration – long term incentive ("LTI")	15
Employment contracts	16
Directors' and senior executives' emoluments	17

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

Options and rights over equity instruments granted as remuneration
During the year, the following options over ordinary shares were granted or vested under the Management Share Option Plan:

	Vested number	Grant number	Grant Date	Value per option at grant date $	Exercise price per share $	First exercise date	Last exercise date
Specified directors							
DC Seargeant	–	250,000	16/09/04	0.592	3.72	30/09/06	30/09/08
Specified executives							
JA Collier	–	–	–	–	–	–	–
GC Dean	20,000	–	–	–	–	–	–
HR Eberstaller	100,000	–	–	–	–	–	–
PW Horton	100,000	–	–	–	–	–	–
PG Lonergan	100,000	–	–	–	–	–	–
GC Lopez	100,000	–	–	–	–	–	–
DA Tynan	100,000	–	–	–	–	–	–

In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving certain performance hurdles relating to increases in operating profit (5% per annum), earnings per share (5% per annum) and the market value of the Company's share price (10% per annum). Further details, regarding options granted to executives under the Management Share Option Plan are given in Note 27.

NOTE 35 – DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Option holdings

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

	Held at the beginning of the year	Granted	Exercised	Held at the end of the year	Vested and exercisable at 30 June 2005
Specified directors					
DC Seargeant	1,150,000	250,000	175,000	1,225,000	475,000
Specified executives					
JA Collier	300,000	–	–	300,000	–
GC Dean	120,000	–	–	120,000	20,000
HR Eberstaller	200,000	–	100,000	100,000	–
PW Horton	200,000	–	–	200,000	100,000
PG Lonergan	200,000	–	–	200,000	100,000
GC Lopez	200,000	–	90,000	110,000	10,000
DA Tynan	200,000	–	100,000	100,000	–

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

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 each specified director and specified executive, including their personally-related entities as follows:

	Held at the beginning of the year	Purchases	Received on exercise of options	Sales	Held at the end of the year
Specified directors					
AG Rydge (Chairman)	57,704,154[(a)]	–	–	–	57,704,154
AJ Clark	40,000	–	–	–	40,000
T C Ford	10,000	–	–	–	10,000
RM Graham	10,626	–	–	–	10,626
M Hellicar	–	–	–	–	–
DC Seargeant (Managing Director)	25,500[(a)]	–	175,000	(175,000)	25,500
Specified executives					
JA Collier	–	–	–	–	–
GC Dean	500	–	–	–	500
HR Ebertstaller	–	–	100,000	(100,000)	–
PW Horton	–	–	–	–	–
PG Lonergan	–	–	–	–	–
GC Lopez	600[(a)]	–	90,000	(42,529)	48,071
DA Tynan	–	–	100,000	–	100,000

[(a)] Balance of shares held includes shares issued under the Employee Share Plan. All such shares were transferred on an unrestricted basis during the year. Further details are outlined below.

NOTE 35 – DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Loans and other transactions with specified directors and specified executives

Loans to specified directors and specified executives
Details of the aggregates of loans to specified directors and specified executives under the Employee Share Plan are as follows:

		Balance at the beginning of the year $	Interest charged $	Repayment $	Balance at the end of the year $	Interest not charged $	Number in Group
Specified directors							
	2005	2,358	–	2,358	–	109	–
	2004	2,443	–	–	2,358	168	2
Specified executives							
	2005	2,851	–	2,851	–	138	–
	2004	2,889	–	–	2,851	200	1
Total specified directors and specified executives							
	2005	5,209	–	5,209	–	247	–
	2004	5,332	–	–	5,209	368	3

All outstanding loans to specified directors and specified executives were repaid during the year. The amounts shown for interest not charged in the table above represents the amounts of interest that would have been charged on an arm's-length basis.

There were no loans above $10,000 outstanding at any time during the year with any specified directors or specified executives.

Terms and conditions of loans
Loans under the Employee Share Plan are interest free. The loans are provided on a non-recourse basis and, unless the participant elects to otherwise repay the loan, the loan will be repaid from the dividends. The loans are repayable 20 years after the acquisition date of the share held under the plan or upon termination of employment of the participant with the Group.

During the year all loans to specified directors and specified executives were repaid and as a result 1,580 employee shares were transferred on an unrestricted basis to the relevant specified director or specified executive.

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 $29,610 (2004: $29,018). The Company holds shares in Carlton Investments Limited. Dividends received during the year from Carlton Investments Limited totalled $713,655 (2004: $716,292).

AG Rydge paid rent and levies to a controlled entity during the year amounting to $13,628 (2004: $13,336). A company associated with RM Graham paid rent and levies to a controlled entity during the year amounting to $3,892 (2004: $3,809). Rent is charged to AG Rydge and RM Graham at market rates.

Apart from the details disclosed in this note, no specified director or specified executive has entered into a material contract with the Company or 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, specified directors and specified executives of the Company or its controlled entities, or their personally-related entities, may purchase goods 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 36 – RELATED PARTIES

Wholly-owned group
Details of interests in wholly-owned controlled entities are set out in Note 32. Details of dealings with these entities are set out below.

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

	The Company	
	2005 $'000	2004 $'000
The aggregate outstanding amounts at reporting date of loans between the Company and its wholly-owned controlled entities and the interest revenue and expense brought to account by the Company in relation to these loans during the year is as follows:		
Loans to controlled entities (non-current)	298,261	239,913
Interest received or due and receivable	17,590	16,101
Loans from controlled entities (non-current)	152,737	89,467
Interest paid or due and payable	6,193	9,298

Management fees
The Company charges all operating and wholly-owned controlled entities a management fee equal to 3% (2004: 3%) of net operating revenue for management services provided by Directors and senior executives of the Company. Management fees charged during the year were $9,065,000 (2004: $9,809,000).

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

Other transactions were:
- the sale of management services at a cost of $1,266,000 (2004: $1,266,000);
- hire of films from Roadshow Distributors Pty Limited on normal commercial terms to a value of $5,289,000 (2004: $8,649,000); and
- receipt of property rentals from associates of $237,000 (2004: $235,000).

Interest in partnerships and unit trusts
Refer to Notes 14, 29, 33 and 34.

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

Directors and specified executives
Disclosures relating to Directors and specified executives are set out in Note 35.

NOTE 37 – SEGMENT INFORMATION

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

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

Business segments
The Group comprises the following main business segments, based on the Group's management reporting system and the differing risks and rewards associated with each business.

Cinema Exhibition Domestic
Includes the Australian cinema exhibition operations.

Cinema Exhibition International
Includes the International cinema exhibition operations in Germany, The Netherlands and the United Arab Emirates.

Entertainment Technology
Includes theatre equipment supply and servicing and the manufacture of film processors and related equipment and the Group's investment in the Atlab group.

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

Thredbo Alpine Resort
Includes all the operations of the resort including property development activities.

Leisure/Attractions
Includes ancillary leisure and other activities including Featherdale Wildlife Park, Matilda Cruises, Blue Rock Catering and State Theatre.

Strategic Investments
Includes investments in Roadshow Distributors and the Roadshow Television Unit Trust.

Other
Includes property rental and sale of surplus property.

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

NOTE 37 – SEGMENT INFORMATION (continued)	Cinema Exhibition Domestic $'000	Cinema Exhibition International $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Strategic Investments $'000	Other $'000	Consolidated $'000
30 June 2005									
Primary reporting - Business Segments									
Revenue									
External segment revenue	104,146	296,475	15,629	99,370	51,657	34,086	–	7,088	608,451
Other revenue	–	–	–	6	–	–	1,132	–	1,138
Other unallocated revenue									10,040
Total revenue									619,629
Result									
Segment result	11,901	(11,949)	480	19,428	13,915	(7,800)	–	2,093	28,068
Share of net profit of equity accounted business undertakings	18,582	2,193	3,055	–	–	–	16,857	–	40,687
	30,483	(9,756)	3,535	19,428	13,915	(7,800)	16,857	2,093	68,755
Unallocated revenue and expenses									(3,027)
Borrowing costs (net)									(10,714)
Profit from ordinary activities before related income tax expense									55,014
Income tax expense									(14,756)
Profit from ordinary activities after income tax									40,258
Interest outside equity									(155)
Net profit									40,103
Depreciation and amortisation	5,876	11,644	119	3,892	5,232	2,915	–	1,102	30,780
Non cash expenses other than depreciation and amortisation	998	769	(19)	(931)	479	474	–	485	2,255

NOTE 37 – SEGMENT INFORMATION (continued)	Cinema Exhibition Domestic $'000	Cinema Exhibition International $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Strategic Investments $'000	Other $'000	Consolidated $'000
30 June 2005									
Unusual items									
Write-down in carrying value of Matilda cruises business	–	–	–	–	–	(4,707)	–	–	(4,707)
Write-down in carrying value of BlueRock business	–	–	–	–	–	(1,666)	–	–	(1,666)
Share of write-down in carrying value of under-performing cinema sites in partnership	(2,035)	–	–	–	–	–	–	–	(2,035)
Write-down in carrying value of under-performing cinema sites of Greater Union Filmpalast GmbH	–	(2,202)	–	–	–	–	–	–	(2,202)
	(2,035)	(2,202)	–	–	–	(6,373)	–	–	(10,610)
Profit on sale of investments in a listed company									4,468
									(6,142)
Assets									
Segment assets	123,790	106,854	10,077	171,807	53,152	23,053	8,254	24,508	521,495
Equity accounted investments	118,984	13,359	2,018	–	–	–	44,874	–	179,235
Unallocated corporate assets									15,475
Consolidated total assets									716,205
Liabilities									
Segment liabilities	45,649	85,233	3,034	36,221	10,881	1,781	–	–	182,799
Unallocated corporate liabilities									141,712
Consolidated total liabilities									324,511
Acquisitions of non-current assets	1,761	4,200	46	4,785	2,521	433	–	696	14,442

Secondary reporting - geographical segments	Australia & NZ $000	Europe $000	Other $000	Consolidated $000
External segment revenue	310,590	297,861	–	608,451
Segment assets by location of assets	593,632	112,393	10,180	716,205
Acquisition of non-current assets	10,242	4,200	–	14,442

NOTE 37 – SEGMENT INFORMATION (continued)	Cinema Exhibition Domestic $'000	Cinema Exhibition International $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Strategic Investments $'000	Other $'000	Consolidated $'000
30 June 2004									
Primary reporting - Business Segments									
Revenue									
External segment revenue	115,515	150,969	13,966	94,944	50,141	33,728	–	5,439	464,702
Other revenue	–	–	–	–	–	–	12,982	–	12,982
Other unallocated revenue									3,813
Total revenue									481,497
Result									
Segment result	11,532	(65,618)	599	16,896	13,191	(1,912)	8,901	1,150	(15,261)
Share of net profit of equity accounted business undertakings	22,021	(23,526)	1,279	–	–	–	19,726	–	19,500
	33,553	(89,144)	1,878	16,896	13,191	(1,912)	28,627	1,150	4,239
Unallocated revenue and expenses									(6,633)
Borrowing costs (net)									(12,509)
(Loss)/profit from ordinary activities before related income tax expense									(14,903)
Income tax expense									(16,193)
(Loss)/profit from ordinary activities after income tax									(31,096)
Interest outside equity									(72)
Net (loss)/profit									(31,168)
Depreciation and amortisation	6,724	7,043	159	4,787	5,514	4,180	–	531	28,938
Non cash expenses other than depreciation and amortisation	3,612	384	157	250	813	603	–	(353)	5,466

NOTE 37 – SEGMENT INFORMATION (continued)	Cinema Exhibition Domestic $'000	Cinema Exhibition International $'000	Entertainment Technology $'000	Hotels $'000	Thredbo Alpine Resort $'000	Leisure/ Attractions $'000	Strategic Investments $'000	Other $'000	Consolidated $'000
30 June 2004									
Unusual items									
Profit on sale of interest in Val Morgan Holdings Pty Ltd	–	–	–	–	–	–	8,901	–	8,901
German Cinema Operations – Write-down in goodwill and other intangibles	–	(65,039)	–	–	–	–	–	–	(65,039)
– Amortisation of goodwill subsequently written-off	–	(1,373)	–	–	–	–	–	–	(1,373)
Provision for cinema lease terminations	(1,509)	–	–	–	–	–	–	–	(1,509)
Share of write-down of non-current assets of Greater Union Filmpalast GmbH	–	(15,232)	–	–	–	–	–	–	(15,232)
	(1,509)	(81,644)	–	–	–	–	8,901	–	(74,252)
Assets									
Segment assets	133,675	123,570	11,573	169,451	57,201	29,347	8,273	18,753	551,843
Equity accounted investments	117,493	14,235	81	–	–	–	40,423	–	172,232
Unallocated corporate assets									20,784
Consolidated total assets									744,859
Liabilities									
Segment liabilities	32,903	94,689	4,186	37,240	13,767	4,228	–	–	187,013
Unallocated corporate liabilities									187,726
Consolidated total liabilities									374,739
Acquisitions of non-current assets	3,479	318	20	5,499	2,360	496	–	15	12,187

Secondary reporting - geographical segments	Australia & NZ $000	Europe $000	Other $000	Consolidated $000
External segment revenue	311,197	153,505	–	464,702
Segment assets by location of assets	604,917	129,555	10,387	744,859
Acquisition of non-current assets	12,187	–	–	12,187

NOTE 38 – NOTES TO THE STATEMENTS OF CASH FLOWS

(i) Reconciliation of cash

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

	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Cash on hand and on deposit	9	14,729	25,305	321	101
Bank overdraft	19	–	–	–	(1,102)
Short-term deposits		–	165	–	–
		14,729	25,470	321	(1,001)

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

	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Operating profit/(loss) from ordinary activities after income tax	40,258	(31,096)	12,945	6,703
Less items classified as investing activities:				
(Profit)/loss on sale of non-current assets	(4,377)	(9,436)	(4,468)	(663)
Add/(less) non-cash items:				
Intercompany revenue	–	–	(26,662)	(25,917)
Write-down in goodwill and other intangibles	–	65,039	–	–
Depreciation and carrying value adjustments	35,849	23,784	48	55
Amortisation	5,622	5,154	–	–
(Decrease)/increase in provisions	(7,229)	(6,426)	50	102
Increase/(decrease) in income taxes payable	(978)	2,117	(6,520)	1,066
Share of associates' net (profit)/loss	(40,687)	2,058	–	–
Unrealised foreign exchange losses	(944)	(735)	–	–
Net cash provided/(used) by operating activities before change in assets and liabilities	27,514	50,459	(24,607)	(18,654)
Change in assets and liabilities adjusted for effects of consolidation of controlled entities acquired / disposed during the year:				
(Increase)/decrease in receivables	(8,052)	(1,594)	270	(1,235)
(Increase)/decrease in inventories	1,801	(1,538)	–	–
Decrease in investments	35,713	20,815	–	–
Increase/(decrease) in other current assets	4,139	(1,458)	43	–
Increase in deferred expenditure	361	(317)	–	–
Increase/(decrease) in creditors and accruals	(9,504)	1,802	(111)	(662)
Increase/(decrease) in deferred tax items	(2,212)	1,137	(2,270)	75
Increase/(decrease) in other liabilities	1,367	1,151	–	(351)
Net cash provided/(used) by operating activities	51,127	70,457	(26,675)	(20,827)

(iii) Non-cash financing and investment activities

On 2 December 2003, an agreement was effected to acquire a further 50% interest in Greater Union Filmpalast GmbH, thereby taking the Group's interest in Greater Union Filmpalast GmbH to 100% and 50% in Neue Filmpalast GmbH & Co. KG. The consideration paid for the transfer was the release of loan obligations by the vendors. Further details are disclosed at Note 33.

NOTE 39 – EVENTS SUBSEQUENT TO REPORTING DATE

Dividends
For final dividends declared after 30 June 2005 see Note 7.

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the reporting period beginning 1 July 2005, the Group will have to comply with International Financial Reporting Standards ("IFRS") as issued by the Australian Accounting Standards Board ("AASB").

The AASB have issued Australian equivalent IFRS standards ("AIFRS"). The adoption of AIFRS will be first reflected in the Group's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Transition management
The Company has established a project team to manage the transition to AIFRSs and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005. The responsibilities of the project team include the training of staff and the implementation of system changes required to gather all the required financial information to meet new reporting requirements. It is also the responsibility of the project team to prepare, continually review and update a conversion plan that addresses changes to accounting policies, accounting policy guides, reporting structures, disclosure requirements, systems and business processes. The project team is chaired by the Director Finance & Accounting who reports quarterly to the Audit Committee on the progress to completing the transition plan. The project team has prepared a detailed timetable for managing the transition to AIFRSs.

The design and implementation phases of this project have been substantially completed. These AIFRS project phases incorporate:

- revising accounting policies, accounting policy guides and procedures for compliance with AIFRSs;
- determination of the financial impacts as at the transition date and for the comparative reporting period prior to adoption of AIFRSs;
- developing revised AIFRS financial report disclosures;
- revising accounting procedures, business processes and systems to support AIFRS reporting obligations as required; and
- finalising training programs for applicable staff.

Impact of transition to AIFRS
This financial report has been prepared in accordance with current Australian Accounting Standards and other financial reporting requirements (Australian GAAP"). Set out on the following pages are current estimates of the impact on the financial reports had they been prepared using AIFRS.

There is a significant amount of judgement involved in the preparation of the following reconciliations to AIFRS, consequently the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary from the reconciliations presented in the following pages.

Revisions to the selected AIFRS accounting policies may be required as a result of:

- Changes in financial reporting requirements that are relevant to the first financial report prepared in accordance with AIFRS arising from new or revised standards or interpretations issued subsequent to the preparation of this report;
- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction;
- Changes to the Group's operations.

It should also be noted that only a full set of financial statements and notes, together with comparative balances, can provide a true and fair presentation of the Company's and Group's financial position, results of operations and cash flows in accordance with AIFRS. This note provides a summary only, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet at transition date, being 1 July 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS.

The significant changes in accounting policies adopted in preparing the AIFRS reconciliations and the elections made under AASB 1 are set out in the notes following the reconciliations.

NOTE 40 - IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Summary of transitional adjustments

The following table sets out the expected adjustments to the statements of financial position of the Company and the Group on transition to AIFRS as at 1 July 2004 and for the AIFRS statement of financial position as at 30 June 2005.

Reconciliation of equity

		Consolidated 30 June 2005			Consolidated 1 July 2004			The Company 30 June 2005			The Company 1 July 2004		
	Note	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
CURRENT ASSETS													
Cash assets		14,729	–	14,729	25,305	–	25,305	321	–	321	101	–	101
Receivables		43,998	–	43,998	28,312	–	28,312	2	–	2	1,448	–	1,448
Inventories		11,142	–	11,142	12,696	–	12,696	–	–	–	–	–	–
Other	(j)	5,526	(406)	5,120	6,148	(334)	5,814	44	–	44	87	–	87
Total current assets		75,395	(406)	74,989	72,461	(334)	72,127	367	–	367	1,636	–	1,636
NON-CURRENT ASSETS													
Receivables	(g)(e)	26,603	–	26,603	31,299	–	31,299	299,113	7,914	307,027	241,638	5,421	247,059
Other financial assets	(j)	13,062	(11,226)	1,836	13,945	(12,107)	1,838	53,911	(2,972)	50,939	54,791	(3,852)	50,939
Available-for-sale financial assets	(j)	–	35,863	35,863	–	32,119	32,119	–	19,176	19,176	–	20,339	20,339
Investments accounted for using the equity method	(b)(f)	179,235	(1,782)	177,453	172,232	(4,452)	167,780	–	–	–	–	–	–
Property, plant and equipment	(a)(d)(f)	389,202	(8,613)	380,589	416,167	(8,113)	408,054	824	(667)	157	176	(69)	107
Properties held as investment	(a)	–	23,900	23,900	–	18,250	18,250	–	–	–	–	–	–
Goodwill	(c)(d)	10,554	1,127	11,681	12,545	–	12,545	–	–	–	–	–	–
Other intangible assets	(c)	–	1,363	1,363	263	1,035	1,298	–	667	667	–	69	69
Deferred tax assets	(e)	13,965	7,899	21,864	14,483	5,438	19,921	13,627	(10,221)	3,406	14,165	(11,170)	2,995
Other	(j)	8,189	(406)	7,783	11,464	(669)	10,795	–	–	–	–	–	–
Total non-current assets		640,810	48,125	688,935	672,398	31,501	703,899	367,475	13,897	381,372	310,770	10,738	321,508
Total assets		716,205	47,719	763,924	744,859	31,167	776,026	367,842	13,897	381,739	312,406	10,738	323,144

NOTE 40 - IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of equity (continued)

		Consolidated 30 June 2005			Consolidated 1 July 2004			The Company 30 June 2005			The Company 1 July 2004		
	Note	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
CURRENT LIABILITIES													
Payables		68,056	–	68,056	59,304	–	59,304	772	–	772	883	–	883
Interest bearing liabilities		21,368	–	21,368	25,522	–	25,522	–	–	–	1,102	–	1,102
Current tax liabilities		7,869	–	7,869	8,847	–	8,847	7,784	–	7,784	8,613	–	8,613
Provisions		14,321	–	14,321	14,725	–	14,725	757	–	757	598	–	598
Other		16,222	–	16,222	13,847	–	13,847	–	–	–	–	–	–
Total current liabilities		127,836	–	127,836	122,245	–	122,245	9,313	–	9,313	11,196	–	11,196
NON-CURRENT LIABILITIES													
Payables		8,423	–	8,423	4,702	–	4,702	–	–	–	–	–	–
Interest bearing liabilities	(j)	163,076	(812)	162,264	211,307	(1,003)	210,304	152,737	–	152,737	89,467	–	89,467
Deferred tax liabilities	(e)	6,786	7,772	14,558	9,516	5,330	14,846	5,675	(2,662)	3,013	8,483	(5,877)	2,606
Provisions	(f)	13,471	6,152	19,623	20,569	5,073	25,642	525	–	525	634	–	634
Other		4,919	–	4,919	6,400	–	6,400	–	–	–	–	–	–
Total non-current liabilities		196,675	13,112	209,787	252,494	9,400	261,894	158,937	(2,662)	156,275	98,584	(5,877)	92,707
Total liabilities		324,511	13,112	337,623	374,739	9,400	384,139	168,250	(2,662)	165,588	109,780	(5,877)	103,903
Net assets		391,694	34,607	426,301	370,120	21,767	391,887	199,592	16,559	216,151	202,626	16,615	219,241
EQUITY													
Contributed equity	(g)	90,871	732	91,603	89,311	240	89,551	90,871	732	91,603	89,311	240	89,551
Reserves	(a)(h)(j)	87,412	21,020	108,432	90,117	12,380	102,497	36,259	2,707	38,966	36,259	2,990	39,249
Retained earnings	(d)(l)	213,161	12,855	226,016	190,597	9,147	199,744	72,462	13,120	85,582	77,056	13,385	90,441
Total parent equity interests		391,444	34,607	426,051	370,025	21,767	391,792	199,592	16,559	216,151	202,626	16,615	219,241
Outside equity interest		250	–	250	95	–	95	–	–	–	–	–	–
Total equity		391,694	34,607	426,301	370,120	21,767	391,887	199,592	16,559	216,151	202,626	16,615	219,241

NOTE 40 - IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of profits for the year ended 30 June 2005

The following table sets out the expected adjustments to the statements of financial performance of the Company and Group for the year ended 30 June 2005.

		Consolidated 30 June 2005			The Company 30 June 2005		
	Note	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
Revenue from sale of goods		169,025	–	169,025	–	–	–
Revenue from rendering of services		411,183	–	411,183	–	–	–
Other revenue from ordinary activities	(a)	39,421	(1,886)	37,535	33,386	–	33,386
Total revenue from ordinary activities		619,629	(1,886)	617,743	33,386	–	33,386
Depreciation and amortisation expenses	(c)(f)	(38,606)	1,118	(37,488)	(48)	–	(48)
Interest & borrowing costs	(k)(f)	(14,054)	(86)	(14,140)	(6,193)	–	(6,192)
Employee expenses	(g)	(146,237)	(492)	(146,729)	(5,356)	(265)	(5,622)
Film hire and other film expenses		(124,263)	–	(124,263)	–	–	–
Occupancy expenses		(166,349)	–	(166,349)	–	–	–
Purchases and other direct expenses		(49,360)	–	(49,360)	–	–	–
Advertising, commissions and marketing expenses		(20,221)	–	(20,221)	(133)	–	(133)
Carrying value of non-current assets sold	(a)	(3,341)	2,461	(880)	(880)	–	(880)
Other expenses from ordinary activities	(a)	(42,871)	(95)	(42,966)	(3,227)	–	(3,227)
Share of net profits/(losses) accounted for using the equity method:							
Associates	(c)	22,203	575	22,778	–	–	–
Partnerships	(c)(f)	18,484	2,094	20,578	–	–	–
Profit from ordinary activities before income tax expense		55,014	3,689	58,703	17,549	(265)	17,284
Income tax expense relating to ordinary activities		(14,756)	19	(14,737)	(4,604)	–	(4,604)
Profit from ordinary activities after income tax expense		40,258	3,708	43,966	12,945	(265)	12,680
Net profit attributable to outside equity interests		(155)	–	(155)	–	–	–
Net profit attributable to members of the parent entity		40,103	3,708	43,811	12,945	(265)	12,680

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Notes to reconciliation of impact of adopting AIFRS

(a) ***Property, plant and equipment***
Under AIFRS transition property, plant and equipment is to be measured at cost. At transition date the AASB 1 election has been used to deem property, plant and equipment previously revalued to be measured at deemed cost.

The existing asset revaluation reserve balances relating to these assets may no longer be used and has been transferred to retained earnings. At 1 July 2004 amounts of $10,847,000 for the Group and $13,497,000 for the Company have been transferred from the asset revaluation reserve to retained earnings.

As carrying amounts, depreciation rates and useful economic lives are not expected to change, there is no effect on the income statement for the year ended 30 June 2005 for the Company or the Group.

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis, as a gain or loss, rather than separately recognising the gross consideration received as revenue. For the Group a net amount of $2,366,000 will be adjusted from other revenues for the year ended 30 June 2005. There is no impact on the Company revenues.

Investment properties
The Group has elected to apply the fair value basis as its accounting policy in respect of investment properties. An investment property is a property held to earn rentals or for capital appreciation or both. Gains or losses arising from changes in fair value on the investment properties are recognised in the results for the period in which they arise. Owner occupied properties may be classified as investment properties only if owner occupation is deemed "insignificant".

Investment properties with a fair value of $18,250,000 have been separately disclosed in the statement of financial position as at 1 July 2004 for the Group. The difference of $10,644,000 between the book value and the fair value of investment properties, as at 1 July 2004, has been adjusted against opening retained earnings on transition. The impact on profit for the year ended 30 June 2005 is to recognise an increase to the carrying value of $480,000.

(b) ***Investments in associates and joint ventures***
Investment in associates and joint ventures are accounted for using the equity accounting method. This is consistent with the current method used by the Group. In determining the carrying value of investments an AIFRS "notional" balance sheet has been prepared for the associate or joint venture, at the date of transition. This has resulted in adjustments to the carrying value of interests in associates and joint ventures.

As noted below amortisation of "notional" goodwill arising in the associate or joint venture, on applying the equity accounting method, will not be amortised and has been replaced by an annual impairment test.

(c) ***Intangible assets***
<u>Goodwill</u>
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to transition date, goodwill is included on the basis of its deemed cost, which represents the amortised amount recorded under Australian GAAP.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Also see note 40(d) for further details on impairment testing.

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(c) ***Intangible assets***

Other intangible assets

Other intangible assets, that have been acquired, are stated at cost less accumulated amortisation and impairment losses.

On transition other intangible assets have been reviewed to ensure that they are capable of recognition under AASB 138 and tested for impairment. As a result of this review other intangible assets, to the value of $3,567,000 previously recognised in the carrying value of investments in partnerships will be derecognised and an adjustment made through retained earnings of the Group at 1 July 2004.

Software assets will be reclassified from property, plant and equipment to intangible assets on transition to AIFRS. This is expected to result in a reclassification of $1,035,000 in the Group as at 1 July 2004 and $1,363,000 as at 30 June 2005. For the Company the expected adjustments are $69,000 as at 1 July 2004 and $677,000 as at 30 June 2005.

Amortisation

Amortisation is recognised on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Goodwill is not subject to amortisation but are tested for impairment annually.

The impact on the results for the period ended 30 June 2005 is to reverse goodwill amortisation recognised in the year and increasing share of equity profits from associates by $575,000; share of equity profits from partnerships by $2,163,500 and decrease amortisation expense by $1,127,000.

(d) ***Impairment***

The carrying amount of the Group's non-current assets, excluding investment property, deferred tax assets and goodwill are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount.

For goodwill and intangible assets not yet ready for use, an impairment test is performed at each reporting date.

If there is any indication that an asset is impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or group of assets.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless it relates to a revalued asset, when the impairment loss is treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets of that cash generating unit, pro rata, based on their carrying amounts.

Goodwill was tested for impairment at transition date and no impairment write-downs were deemed necessary as at 1 July 2004 and 30 June 2005.

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(d) ***Impairment***

Calculation of recoverable amount

The recoverable amount is the greater of the fair value less costs to sell and the 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 the current market assessments of the risk specific to the asset or cash generating unit. Cash flows are estimated for the asset or cash generating unit in its current condition and therefore does not include cash inflows and outflows expected to arise from future planned restructures that are aimed at improving or enhancing the asset's performance.

Reversals of impairment

An impairment loss recognised in respect of goodwill is not reversed.

Other impairment losses can be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of ongoing depreciation or amortisation, if no impairment loss had been recognised.

(e) ***Taxation***

Deferred tax is determined by using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill for which amortisation is not tax deductible; the initial recognition of assets and liabilities that affect neither accounting or taxable profit; and, differences relating to investments in subsidiaries to the extent that they will probable not reverse in the foreseeable future.

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.

Income tax is recognised in the income statement except to the extent that it relates to items that have been recognised directly in equity, in which case the tax effect is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using current tax rates and any adjustments to tax payable in respect of previous years.

The impact of the change in basis for the Group as at 30 June 2005 would be to recognise additional deferred tax liabilities amounting to $7,772,000 (2004: $5,330,000) and additional deferred tax asset amounting to $7,899,000 (2004: $5,438,000) at the transition date. These deferred tax liabilities arise from the recognition of potential future tax liabilities in respect of available-for-sale financial assets and investment properties and are offset by capital losses recognised as deferred tax assets.

The impact on the Group income tax expense, for the year ended 30 June 2005, is a reduction of the expense by $19,000. There is no impact on the income tax balances for the Company.

Recent changes relating to accounting for tax consolidations under UIG52 will result in the Company no longer recognising any tax balances relating to tax consolidated subsidiaries, other than the current tax payable. Subsidiaries would be required to recognise their deferred tax balances, as if tax consolidation had not been implemented with an intercompany payable replacing their current tax payable. This change would result in the Company reducing deferred tax assets and deferred tax liabilities by $13,218,000 and $5,659,000 respectively, as at 30 June 2005. Intercompany receivables would increase by $7,559,000. The Group balances would not be affected by this proposed change.

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(f) ***Leasehold property "make-good" provision***

The cost recognised for an item of property, plant and equipment is required to include an initial estimate of the costs of dismantling and removing the item and restoring the site on which, or in which, it is located. Where a legal or constructive obligation exists a provision for the future liability for dismantling and removal of plant and equipment is required to be raised on acquisition with a corresponding amount being capitalised and depreciated over the life of the plant and equipment. The future liability is required to be discounted to a present value with the discount amount unwinding over the life of the asset as an interest expense. The Group has interests, either through partnerships or directly, in a large number of cinema sites which are located in premises subject to long-term leases. Certain of these leases have obligations to "make-good" the site at the end of the lease term.

Under current Australian GAAP the costs of refurbishment or "make-good" are not recognised until the expenditure is incurred, whereas under AIFRS a provision for refurbishment costs must be recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

In determining the provision for refurbishment costs an assessment has been made, for each location, of the likelihood that refurbishment cost will be incurred in the future. The provision for future refurbishment costs will be reassessed each year.

At the date of transition a provision for future refurbishment costs of $5,073,000 has been raised for the Group. The carrying value of our investment in partnerships has been reduced by $884,000 as a result of the Group's share of refurbishment provisions raised in those partnerships at the transition date of 1 July 2004. The impact of this change for the year ended 30 June 2005 would be to increase depreciation by $210,000 and interest costs by $85,000 and decrease share of equity profit from partnerships by $69,000.

There are no adjustments for the Company.

(g) ***Employee benefits***

Share based payments

The fair value of options granted is required to be recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date taking into account market performance conditions only, and is then spread over the vesting period during which the employees becomes unconditionally entitled to the options. The fair value of options granted is measured using the binomial method, taking into account the terms and conditions attached to the options. The amount recognised as an expense is adjusted to reflect the actual number of options that vest, except where forfeiture is due to market related conditions.

No adjustment is required to be made for options granted before 7 November 2002 which have vested before 1 January 2005. Options granted after 7 November 2002 remaining unvested at 1 January 2005 have been recognised in the opening statement of financial position through opening retained earnings as at 1 July 2004 with an impact of $240,000 for the Group and $112,000 for the Company.

For the year ended 30 June 2005 employee benefits expense and equity reserves have been increased by $492,000 for the Group and $265,000 for the Company, representing the options expense for the period.

(h) ***Foreign currency***

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at balance date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of transactions. Foreign exchange differences arising on translation are recognised directly as a separate component of equity.

The Group has taken advantage of the election in AASB 1 to reset the foreign currency translation reserve to $nil, with the debit balance of $3,215,000 being adjusted against retained earnings as at the transition date.

Goodwill and fair value adjustments arising from acquisitions from the transition date are treated as assets of the acquired entity and therefore translated to Australian dollars at each reporting date.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and restatement of hedges are taken to the translation reserve. They are released to the income statement upon disposal.

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(i) ***Business combinations***

The Group has taken advantage of the election available in AASB 1 in relation to business combinations and therefore the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS statement of financial position.

(j) ***Financial instruments***

Financial instruments are required to be classified into one of five categories, which in turn, determine the accounting treatment of the item. The classifications are: "loans and receivables" – measured at amortised costs; "held to maturity" – measured at amortised cost; "held for trading" – measured at fair value with fair value changes charged to net profit or loss; "available for sale' – measured at fair value with fair value changes taken to equity; and "non-trading liabilities" – measured at amortised cost.

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

The restatement of "available for sale" investments to their fair values, as at 30 June 2005, has resulted in increases to non-current assets and reserves amounting to $24,637,000 (2004: $20,012,000) for the Group and $16,204,000 (2004: $16,487,000) for the Company.

Debt establishment costs capitalised and amortised over the term of the borrowing under current Australian GAAP will be recalculated based on the effective interest rate method and recognised as part of the liability rather than as a separate asset.

The Group also has a number of hedging instruments in place to manage interest rate exposures and may from time to time have hedging instruments in place to manage exchange rate exposures. On adoption of AASB 139 all derivatives will be recognised at fair value on the statement of financial position. Under current Australian GAAP not all derivatives were recognised on the statement of financial position.

The Group has taken advantage of the election given in AASB 1 to apply the provisions of the financial instrument standards relating to hedges (AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 139 *Financial Instruments: Recognition and Measurement*) from 1 July 2005.

The main adjustments that would be required to make the information disclosed by the Group and Company to fully comply with these standards as at 30 June 2005, would be to recognise hedge items at fair values resulting in an increase in liabilities of $275,000 a decrease in retained earnings of $330,000 and an increase in the hedging reserve of $55,000 for the Group. There would be no impact on the Company.

(k) ***Borrowing costs***

Current Australian GAAP requires borrowing costs relating to qualifying assets to be capitalised as part of the cost of the asset.

Under AIFRS borrowing costs may either be recognised as an expense in the period in which they are incurred, or where they are directly attributable to the acquisition, construction or production of a qualifying asset they may be capitalised as part of the cost of the asset.

The Group has elected to apply the allowed alternative treatment under AASB 123 and therefore will continue to capitalise borrowing costs where they are directly attributable to the acquisition, construction or production of a qualifying asset.

There is no expected impact on either the Company or the Group in relation to this choice of AIFRS accounting policy as there is no expected change from the current policy under Australian GAAP.

NOTE 40 – IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(l) ***Summary of impact on retained earnings***

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 is summarised below:

	Note	The Group $'000	The Company $'000
Retained earnings as at 1 July 2004 under AGAAP		190,597	77,056
Transfer from asset revaluation reserve	(a)	10,847	13,497
Transfer from foreign currency translation reserve	(h)	(3,215)	–
Increase to fair value of investment properties	(a)	10,644	–
Adjustment to the carrying value of investments in partnerships	(c)	(4,451)	–
Impact of share-based remuneration	(g)	(240)	(112)
Net adjustment in respect of the restoration provision	(f)	(4,546)	–
Deferred income tax adjustments	(e)	108	–
Retained earnings as at 1 July 2004 under AIFRS		199,744	90,441

DIRECTORS' DECLARATION

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

   (a) the financial statements and notes, set out on pages 29 to 95, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and Group as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

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

2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the year ended 30 June 2005.

Dated at Sydney this 25th day of August 2005.

Signed in accordance with a resolution of the Directors:

AG Rydge
Director

DC Seargeant
Director

KPMG

Independent audit report to the members of Amalgamated Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, the disclosures made by the Company in accordance with the Corporations Regulations 2001 as required by AASB 1046 *Director and Executive Disclosures by Disclosing Entities* in the "Remuneration report" in the Directors' report ("remuneration disclosures") and the directors' declaration for Amalgamated Holdings Limited (the "Company") and Amalgamated Holdings Limited Group (the "Consolidated Entity"), for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company and Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

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

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

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

Audit opinion

In our opinion, the financial report including the remuneration disclosures that are contained in of the Remuneration report in the Directors' report of Amalgamated Holdings Limited are in accordance with:

a) the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company and the Consolidated Entity's financial position as at 30 June 2005 and of its performance for the financial year ended on that date; and

ii. complying with Accounting Standards in Australia, including AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

A Walsh
Partner

Sydney, 25 August 2005

AHL

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND INDEPENDENCE STATUS

APPENDIX 1

ALAN RYDGE
Age 53. Non-Executive Chairman, Board Member since 1978, Chairman of Directors since 1980, Audit Committee Member and Nomination & Remuneration Committee Member.

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

Directorships
Directorships of other listed companies, held during the last three years, include Carlton Investments Limited (appointed 1980, chairman since 1980).

In addition, Mr Rydge is chairman of Enbeear Pty Limited and Alphoeb Pty Limited.

THOMAS FORD FAICD
Age 66. Independent Non-Executive Director and Board Member since 1993.

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

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

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

In addition, Mr Ford is Chairman of Resimac Limited.

ROBERT GRAHAM BE Sydney, MBA Harvard, FAICD
Age 68. Independent Non-Executive Director, Board Member since 1990, Audit Committee Member and Nomination and Remuneration Committee Member.

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

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

DAVID SEARGEANT
Age 55. Managing Director, Board Member since 2001 and appointed Managing Director in January 2002.

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

Directorships
Mr Seargeant is a director of Atlab Holdings Pty Limited, Roadshow Distributors Pty Limited and Tourism Training Australia.

ANTHONY CLARK AM, FCA, FAICD
Age 66. Independent Non-Executive Director, Board Member since 1998, Audit Committee Member and Nomination & Remuneration Committee Member.

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

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

- Carlton Investments Limited (appointed 2000);
- Cumnock Coal Limited (appointed director and chairman 2001);
- Ramsay Health Care Limited (appointed 1998); and
- Telstra Corporation Limited (appointed 1996 resigned 2005).

In addition, Mr Clark is the deputy chairman of Tourism Australia.

MEREDITH HELICAR BA, LLM (Hons), FAICD
Age 51. Independent Non-Executive Director, Board Member since 2003.

Experience
A company director with 20-plus years senior executive experience in the telecommunications, resources, logistics, legal services and financial services sectors. Former managing director TNT Logistics Asia, Chief Executive Officer of Corrs Chambers Westgarth and managing director of InTech Financial Services Limited. Previous directorships include NSW Treasury Corporation, HIH Claims Support Limited and the NSW Environment Protection Authority.

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

- AMP Limited (appointed 2003);
- AurionGold Limited (appointed 1996 and resigned 2002); and
- James Hardie Industries NV (appointed 2001, chairman since 2004; appointed to predecessor 1992).

In addition, Ms Hellicar is chairman of HLA Envirosciences and The Sydney Institute and a director of Southern Cross Airports Group and the Garvan Institute Foundation.

EXPLANATION OF DEGREES AND ABBREVIATIONS: AM Member in the Order of Australia; **BA** Bachelor of Arts; **BE Sydney** Bachelor of Engineering, The University of Sydney; **FAICD** Fellow of The Australian Institute of Company Directors; **FCA** Fellow of The Institute of Chartered Accountants in Australia; **LLM (Hons)** Master of Laws (Honours); **MBA Harvard** Master of Business Administration, Harvard University.