

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

The directors present their report together with the financial report of Amalgamated Holdings Limited ("Company" or "Parent Entity") and the consolidated entity ("Group"), being the Company and its controlled entities, for the year ended 30 June 2007 and the auditors' report thereon.

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DIRECTORS

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

Mr AG Rydge (Chairman);
 Mr AJ Clark (lead independent director);
 Mr TC Ford;
 Mr RM Graham;
 Ms M Hellicar;
 Mr JA O'Neill (appointed 14 December 2006); and
 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 pages 10 and 11 of the Annual Report.

DIRECTORS' MEETINGS

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

	Full Board of Directors meetings	Audit Committee meetings	Nomination and Remuneration Committee meetings
Number of meetings held:	10	4	5
Number of meetings attended:			
AG Rydge	10	4	5
AJ Clark	10	4	5
TC Ford	10	— ^(a)	— ^(a)
RM Graham	10	4	5
M Hellicar	10	— ^(a)	— ^(a)
JA O'Neill (appointed 14 December 2006)	4	— ^(a)	— ^(a)
DC Seargeant	10	3 ^(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, office and retail properties;
- operation of hotels, resorts and restaurants and ownership of hotel properties;
- ownership and operation of Thredbo Alpine Resort;
- ownership and operation of Featherdale Wildlife Park;
- ownership and operation of the State Theatre, Sydney;
- ownership 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 completed the sale of the Pier 26 Bar and Café business. Further details of this transaction are outlined in the significant changes in the state of affairs section.

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 outlined below:

- as announced on 3 April 2007, the Group sold its investment in Village Roadshow Limited. The consideration received was \$22,190,000 and the profit before tax totalled \$14,810,000;
- as announced on 8 May 2007, the Group disposed of the Pier 26 Bar and Café business. The sale was consistent with the strategy implemented by the Group to divest those assets that are considered to be non-core; and
- as announced on 8 May 2007, the Group acquired hotel properties at Cronulla and Bankstown. The total purchase price of the two hotels totalled \$46,000,000.

Subsequent to 30 June 2007, the Company has announced the sale of the Group's 50% shareholding in Roadshow Distributors Pty Limited. Prior to the sale, Roadshow Distributors Pty Limited was an associate of the Group. Further details relating to this transaction are outlined within the events subsequent to reporting date section of this report.

OPERATING AND FINANCIAL REVIEW

Overview of the Group

The Group achieved a normalised result, being profit before individually significant items and income tax, of \$81,914,000 (2006: \$73,693,000) being 11.2% above the prior year result. This increase in normalised earnings was the result of increased earnings from Cinema Exhibition International, Thredbo Alpine Resort and property.

	2007			2006		
	Normalised result	Individually significant items	Total	Normalised result	Individually significant items	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Entertainment						
Cinema Exhibition Domestic	36,667	(2,590)	34,077	35,969	1,154	37,123
Cinema Exhibition International	1,526	(3,300)	(1,774)	(3,808)	(4,433)	(8,241)
Hospitality & Leisure						
Hotels	25,107	—	25,107	24,586	170	24,756
Thredbo Alpine Resort	13,312	(1,424)	11,888	10,634	—	10,634
Leisure/Attractions	771	—	771	1,654	—	1,654
Entertainment Technology						
Atlab Holdings Pty Limited	2,705	—	2,705	2,976	—	2,976
Technology – other	313	—	313	846	—	846
Strategic Investments						
Roadshow Distributors Pty Limited	15,112	—	15,112	16,836	—	16,836
Other						
Available-for-sale investments	430	20,356	20,786	616	5,759	6,375
Property	8,415	—	8,415	3,126	—	3,126
Unallocated revenues and expenses	(10,676)	—	(10,676)	(9,841)	—	(9,841)
Discontinued operations	1,025	7,476	8,501	(261)	—	(261)
	94,707	20,518	115,225	83,333	2,650	85,983
Finance revenue	1,312	—	1,312	1,583	—	1,583
Finance costs	(14,105)	—	(14,105)	(11,223)	—	(11,223)
Normalised result	81,914	20,518	102,432	73,693	2,650	76,343
Income tax expense			(19,928)			(17,547)
Income tax (expense)/benefit from discontinued operations			(333)			712
			82,171			59,508
Minority interest			24			(67)
Net profit			82,195			59,441

DIRECTORS' REPORT CONTINUED

Net profit after individually significant items and income tax was \$82,195,000 and compares to a profit of \$59,441,000 in the previous year, an increase of 38.3%. An analysis of the last five years is outlined below:

	AIFRS			Previous AGAAP	
	2007	2006	2005	2004	2003
Total operating revenue and other income (\$'000)	628,905	614,612	598,976	481,497	369,048
Net profit/(loss)* (\$'000)	82,195	59,441	45,651	(31,168)	30,286
Normalised operating profit ^ (\$'000)	81,914	73,693	64,949	59,349	42,357
Basic earnings per share (cents)	64.6	47.3	36.4	(25.0)	24.0
Dividends declared (\$'000)	35,848	30,261	23,268	16,226	14,354
Dividends per share (cents)	28.0	24.0	18.5	13.0	11.5

* Net profit/(loss) after individually significant and extraordinary items, net finance costs, minority interests and income tax.

^ Net profit before individually significant and extraordinary items, minority interests and income tax.

Investments

The Group acquired property, plant and equipment totalling \$63,026,000 during the year. This figure excludes capital expenditure incurred through partnerships and joint venture activities. The acquisitions were primarily attributable to the purchase of hotel properties at Cronulla and Bankstown, 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 ongoing reporting system upgrades to ensure that the Group's IT facilities are keeping pace with technological advances.

Capital structure

During the year, 1,592,200 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 \$4,827,000. In addition, 345,422 performance shares were issued to employees under the Executive Performance Share Plan.

Borrowings decreased by \$11,818,000 during the year. The net debt to book equity ratio has decreased to 34% as at 30 June 2007 (2006: 40%).

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, and 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 2007 extending to December 2010 in A\$, June 2010 in € and March 2011 in NZ\$. At 30 June 2007, the Group had 56% (2006: 66%) of debt hedged at an average effective rate of 5.5% per annum (2006: 5.3% per annum).

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.

Liquidity and funding

On 22 June 2007, the Group entered into new bank debt facilities, concurrent with the cancellation of its old syndicated multi-currency loan facility and NZ\$ facility.

The new facilities comprise of:

- A\$160,000,000 of revolving multi-currency loan facilities, maturing on 10 July 2012;
- A\$70,000,000 of cash advance facilities which are rolling 364-day facilities with a capacity to term out amounts drawn to a maturity date of 10 July 2012; and
- A\$38,750,000 of credit support facilities (for the issue of letters of credit and bank guarantees), maturing on 10 July 2012.

Under the revolving multi-currency facilities amounts can be borrowed in Australian dollars, New Zealand dollars, euro or United States dollars.

In addition to the above facilities, the Group has a total of A\$5,050,000 in overdraft limits to support its transactional banking facilities. All facilities are secured by specific property mortgages over a number of the Group's properties and are supported by interlocking guarantees by defined Group entities.

Additionally, a wholly-owned subsidiary of the Group has a working capital and bank guarantee facility totalling €9,920,000 (supported by a letter of credit and bank guarantees drawn under the credit support facility in Australia), and a further €5,000,000 working capital and bank guarantee facility which is supported by the Company.

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

Cash flows from operations

Operating net cash inflows decreased from \$70,922,000 in the year to 30 June 2006 to \$63,051,000 in the year to 30 June 2007. This decrease was mostly attributable to working capital movements.

Impact of legislation and other external requirements

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

REVIEW OF OPERATIONS BY DIVISION

The Managing Director's review of operations by division is set out on pages 15 to 19.

STRATEGIC PLANS BY DIVISION

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

ENTERTAINMENT

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

Cinema Exhibition — Domestic and International

Enhancing the customer experience

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

- expansion of the Gold Class cinema concept to certain cinema locations within the Australian domestic circuit;
- expansion of the G-Max cinema concept which provides the ultimate big screen cinema experience through larger screens and seats than a traditional auditorium;
- the refurbishment of existing cinemas to improve the customer experience and maximise food, beverage and other revenue opportunities; and
- enhanced customer communication and ticketing through online assets.

Maximising returns from existing locations

The cinema exhibition markets in Australia, and those international locations in which the Group currently operates, are considered to be mature markets with limited growth and expansion 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 underperforming cinema sites

The Group will continue to pursue the policy of rationalising underperforming 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.

HOSPITALITY AND LEISURE

Rydges Hotels and Resorts

Enhancing the guest experience

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

- the revitalisation of the hotel guest room product and breakfast concepts;
- the continued expansion of, and improvement in, the online booking capabilities for guests including the launch of the Rydges Priority Guest Loyalty Program; and
- the continued improvement of the guest experience by ensuring Group policies encourage, train and support staff to ensure appropriate service delivery.

Increasing the number of hotel rooms

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

Maximising returns from existing locations

The Group anticipates achieving continuing improvements in results through growth in average room rate and revpar.

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;
- expanding snow making automation to minimise risks in poor seasons;
- 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 shoulder periods, summer revenue and cost improvements, increased visitation and increased occupancy rates.

DIRECTORS' REPORT CONTINUED

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 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, and 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 expects 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 to 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

Property

Maximising returns from existing investment

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

DIVIDENDS

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

	Cents per share	Total amount \$'000	Date of payment	Tax rate for franking credit
Declared and paid during the year:				
Final 2006 — Ordinary shares	16	20,195	21 September 2006	30%
Interim 2007 — Ordinary shares	10	12,793	15 March 2007	30%
		32,988		
Declared after the end of the year:				
Final 2007 — Ordinary shares	18	23,055	20 September 2007	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

Subsequent to 30 June 2007, the Company announced the sale of the 50% shareholding in Roadshow Distributors Pty Limited, an associate as at 30 June 2007. The sale price of \$129,440,000 included the extinguishment of \$34,440,000 in loans owing from a Group entity and cash proceeds of \$95,000,000. The pre-tax profit on sale of the Group's interest in Roadshow Distributors Pty Limited was \$64,382,000.

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 Securities Exchange ("ASX") in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares held directly	Ordinary shares held by companies in which a director has a beneficial interest*	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	—	2,000	—
JA O'Neill (appointed 14 December 2006)	—	—	—
DC Seargeant	100,500	150,000	750,000

* Relevant interest under the *Corporations Act 2001* differs from the disclosure required under Australian Accounting Standards as presented in Note 37 to the financial statements.

TAX CONSOLIDATION

Effective 1 July 2002, for the purposes of income taxation, the Company and its wholly-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 using a 'group allocation method' approach. 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, JA O'Neill 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); and
- PW Horton (retired from audit firm in 2001).

REMUNERATION REPORT – AUDITED

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

Remuneration philosophy

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

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

The Company also has the following:

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

Further details in relation to the various share plans and option plan are provided in Note 29.

Remuneration structure

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

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the 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 21 October 2005 when shareholders approved an aggregate remuneration of \$800,000 per year. Non-executive directors do not receive any performance-related remuneration nor are they issued options, shares or performance shares.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned 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 being a member of the Audit Committee. The payment of an additional fee recognises the additional time commitment required by directors who serve on that committee. Directors' base fees are presently \$85,000 per annum (Chairman: \$220,000 per annum). Directors' fees cover all main board activities. Non-executive director members who sit on the Audit Committee receive an additional payment of \$13,000 per annum (Chairman of the Audit Committee: \$26,000 per annum).

DIRECTORS' REPORT CONTINUED

The remuneration of non-executive directors for the year ended 30 June 2007 is detailed on page 35.

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 2007.

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

	2007	2006
Director	\$	\$
AJ Clark	165,000	142,420
TC Ford	165,000	165,000
RM Graham	165,000	165,000
Total	495,000	472,420

As at 30 June 2007, the maximum benefit amount has been accrued for each participating director and no further Directors' Retirement Plan expense accruals will occur in future years.

Managing Director and executive remuneration

Objective

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

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

Structure

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

It is the Nomination and Remuneration Committee's policy that employment contracts are entered into with the Managing Director and other executives. Details of these employment contracts are provided on page 34.

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

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

Fixed annual remuneration

Objective

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

The Nomination and Remuneration Committee establishes and issues an appropriate guideline for the 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 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 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 KPI's covering both financial and non-financial measures of performance. Typically, KPI's and assessment criteria include:

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

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

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

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

For the Managing Director and named executives, the general target bonus opportunity range is from 0% to 100% of the executives' fixed annual remuneration. The target bonus range for the Managing Director and named executives is as follows.

Executive	Maximum STI calculated on fixed annual remuneration*	Allocated between					
		Group earnings	Divisional earnings	Department costs	Special projects	Quantitative KPI's	Qualitative KPI's
DC Seargeant	100%	40%	—	—	50%	—	10%
NC Arundel	30%	10%	10%	—	—	10%	—
GC Dean	35%	11½%	—	—	11½%	11½%	—
MR Duff	35%	17½%	—	4½%	13%	—	—
HR Eberstaller	50%	16½%	16½%	—	8½%	—	8½%
RD Entwistle	40%	13½%	13½%	—	5½%	7½%	—
PW Horton	35%	15%	—	4%	4%	12%	—

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

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

Variable remuneration — long term incentive (“LTI”)

Objective

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

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

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

Structure

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

Each award of performance shares is divided into equal portions with each portion being subject to a different performance hurdle. The performance hurdles are based on earnings per share (“EPS”) and total shareholder return (“TSR”) growth of Amalgamated Holdings Limited as determined by the Board over a three-year period (“Performance Period”).

The extent to which the performance hurdles have been met will be assessed by the Board at the expiry of the Performance Period.

The performance hurdles for the awards of performance shares to executives in the financial year ended 30 June 2007 are based on Amalgamated Holdings Limited's EPS and TSR growth over the Performance Period of the three years from 30 June 2006 (being the “Base Year”) to 30 June 2009.

The performance hurdles are as follows:

EPS hurdle

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

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

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

TSR hurdle

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

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

DIRECTORS' REPORT CONTINUED

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

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

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

Options

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

All options on issue have vested and are currently exercisable. The details of options granted, the value of options, vesting periods and lapsed options under the LTI plan are outlined on page 39.

Performance indices

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

	2007 \$	AIFRS		Previous AGAAP	
		2006 \$	2005 \$	2004 \$	2003 \$
Normalised operating profit*	81,914,000	73,693,000	64,949,000	59,349,000	42,357,000
Share price (year end)	6.45	4.87	4.30	3.37	2.37

* Net profit before individually significant items, minority interest and income tax.

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 named executives are summarised in the table below:

Executive	Termination by executive	Termination by Company	Expiry date of contracts
DC Seargeant	The notice period is three months.	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. Payment of any LTI incentive (or pro-rata thereof) is at the discretion of the Board.	Not applicable, rolling contracts.
NC Arundel GC Dean MR Duff HR Eberstaller RD Entwistle PW Horton	The notice period is four weeks.		

Key management personnel

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

Name	Position	Period of responsibility	Employing company
Directors			
Alan Rydge	Chairman and non-executive director	1 July 2006 — 30 June 2007	(a)
Anthony Clark	Independent non-executive director	1 July 2006 — 30 June 2007	(a)
Thomas Ford	Independent non-executive director	1 July 2006 — 30 June 2007	(a)
Robert Graham	Independent non-executive director	1 July 2006 — 30 June 2007	(a)
Meredith Hellicar	Independent non-executive director	1 July 2006 — 30 June 2007	(a)
John O'Neill	Independent non-executive director	14 December 2006 — 30 June 2007	(a)
Executive Director			
David Seargeant	Managing Director and Chief Executive Officer	1 July 2006 — 30 June 2007	(a)
Executives			
Norman Arundel	Managing Director Rydges Hotels & Resorts	29 January 2007 — 30 June 2007	(b)
Gregory Dean	Company Secretary	1 July 2006 — 30 June 2007	(a)
Mathew Duff	Director Commercial	1 November 2006 — 30 June 2007	(a)
Hans Eberstaller	Managing Director AHL Strategic Investments	1 July 2006 — 30 June 2007	(c)
Ross Entwistle	Managing Director AHL Entertainment	13 November 2006 — 30 June 2007	(c)
Peter Horton	Director Finance & Accounting	1 July 2006 — 30 June 2007	(a)
Former executives			
Paul Lonergan	Managing Director AHL Hospitality & Leisure	1 July 2006 — 31 March 2007	(b)
Gary Lopez	Director of Technology Services	1 July 2006 — 29 September 2006	(a)
Damian Tynan	Director of Group Marketing & Sales	1 July 2006 — 30 November 2006	(a)

(a) Amalgamated Holdings Limited.

(b) Rydges Hotels Limited.

(c) The Greater Union Organisation Pty Limited.

Directors' and Executives' Remuneration

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

	Short term			Post-employment	Share-based		Other			Total	Proportion of remuneration performance related	Value of options as a proportion of remuneration
	Fixed annual remuneration and fees	STI bonuses	Non-cash benefits	Super-annuation contributions	LTI options ^(a)	LTI equity ^(a)	Movement in accrued leave entitlements	Retirement-/termination benefits	Insurance premiums ^(a)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Directors												
Non-executive												
AG Rydge												
2007	197,314	—	—	12,686	—	—	—	—	—	210,000	—	—
2006	179,749	—	—	12,139	—	—	—	—	—	191,888	—	—
AJ Clark												
2007	95,413	—	—	8,587	—	—	—	^(d) 22,580	—	126,580	—	—
2006	82,798	—	—	7,452	—	—	—	^(d) 42,109	—	132,359	—	—
TC Ford												
2007	73,394	—	—	6,606	—	—	—	—	—	80,000	—	—
2006	65,367	—	—	5,883	—	—	—	^(d) 3,110	—	74,360	—	—
RM Graham												
2007	86,303	—	—	5,697	—	—	—	—	—	92,000	—	—
2006	74,083	—	—	6,667	—	—	—	—	—	80,750	—	—

DIRECTORS' REPORT CONTINUED

	Short term			Post-employment	Share-based		Other			Total	Proportion of remuneration performance related	Value of options as a proportion of remuneration
	Fixed annual remuneration and fees	STI bonuses	Non-cash benefits	Super-annuation contributions	LTI Options ^(a)	LTI Equity ^(b)	Movement in accrued leave entitlements	Retirement-/termination benefits	Insurance premiums ^(c)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Directors cont.												
Non-executive cont.												
M Hellicar												
2007	73,394	—	—	6,606	—	—	—	—	—	80,000	—	—
2006	65,367	—	—	5,883	—	—	—	—	—	71,250	—	—
JA O'Neill (appointed 14 December 2006)												
2007	30,581	—	—	2,752	—	—	—	—	—	33,333	—	—
2006	—	—	—	—	—	—	—	—	—	—	—	—
Executive												
DC Seargeant												
2007	962,314	675,000	—	12,686	43,140	75,662	43,499	—	15,056	1,827,357	43.4%	2.4%
2006	887,861	420,000	—	12,139	171,153	—	42,037	—	8,218	1,541,408	38.4%	11.1%
Executives – Company												
GC Dean												
2007	202,314	40,000	—	12,686	5,548	5,551	32,932	—	562	299,593	17.1%	1.9%
2006	187,861	24,012	—	12,139	22,010	—	23,353	—	1,066	270,441	17.0%	8.1%
MR Duff ^(d)												
2007	229,543	—	—	8,457	—	9,217	42,550	—	1,527	291,294	3.2%	—
2006	—	—	—	—	—	—	—	—	—	—	—	—
PW Horton												
2007	344,314	67,034	—	12,686	5,498	9,217	32,291	—	4,377	475,417	17.2%	1.2%
2006	332,861	44,422	—	12,139	21,814	—	(719)	—	2,132	412,649	16.1%	5.3%
GC Lopez ^(e)												
2007	76,078	56,090	—	3,171	5,498	—	6,777	79,250	574	227,438	27.1%	2.4%
2006	293,861	27,439	—	12,139	21,814	—	(12,724)	—	2,132	344,661	14.3%	6.3%
DA Tynan ^(f)												
2007	133,875	57,341	—	5,286	5,498	—	(2,905)	167,000	426	366,521	17.1%	1.5%
2006	310,361	37,344	—	12,139	21,814	—	1,496	—	2,132	385,286	15.4%	5.7%
Executives – Group												
NC Arundel ^(g)												
2007	144,439	—	—	5,285	—	4,518	13,404	—	210	167,856	2.7%	—
2006	—	—	—	—	—	—	—	—	—	—	—	—
JA Collier ^(h)												
2007	—	—	—	—	—	—	—	—	—	—	—	—
2006	446,944	56,102	—	10,688	57,022	—	(38,583)	170,481	937	703,591	16.1%	8.1%
HR Eberstaller												
2007	224,932	102,000	—	12,318	5,498	3,770	30,038	—	834	379,390	29.3%	1.4%
2006	314,462	32,000	—	12,139	21,814	—	(4,869)	—	1,066	376,612	14.3%	5.8%
RD Entwistle ⁽ⁱ⁾												
2007	284,654	—	—	8,457	—	12,058	26,723	—	315	332,207	3.6%	—
2006	—	—	—	—	—	—	—	—	—	—	—	—
PG Lonergan ^(j)												
2007	329,483	141,264	—	9,515	5,498	—	27,589	121,692	2,161	637,202	23.0%	0.9%
2006	420,041	72,975	—	12,139	21,814	—	(6,918)	—	2,575	522,626	18.1%	4.2%
Total compensation – Group												
2007	3,488,345	1,138,729	—	133,481	76,178	119,993	252,898	390,522	26,042	5,626,188		
2006	3,661,616	714,294	—	133,685	359,255	—	3,073	215,700	20,258	5,107,881		
Total compensation – Company												
2007	2,504,837	895,465	—	97,906	65,182	99,647	155,144	268,830	22,522	4,109,533		
2006	2,480,169	553,217	—	98,719	258,605	—	53,443	45,219	15,680	3,505,052		

- (a) Amounts disclosed above for remuneration relating to options have been determined in line with the requirements of accounting standard AASB 2 "Share-based Payment" and in accordance with the guidelines issued by the Australian Securities and Investments Commission. AASB 2 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 for 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 29 to the Financial Report.
- (b) Amounts disclosed above for remuneration relating to performance shares have been determined in line with the requirements of accounting standard AASB 2 "Share-based Payment". AASB 2 requires the measurement of the fair value of performance shares at the grant date and then to have that value apportioned in equal amounts over the period from grant date to vesting date. A value has been placed on the performance shares using a Monte Carlo simulation model. Details of performance shares on issue are set out under "Performance Shares" below and further details on the terms and conditions of these performance shares is set out in Note 29 to the Financial Report.
- (c) Amounts disclosed for remuneration of directors and named executives exclude insurance premiums paid by the Group in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out within this report. The amounts disclosed in the table above relate to premiums paid by the Company for group salary continuance insurance.
- (d) 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.
- (e) GC Lopez ceased employment on 29 September 2006. The termination benefit comprises an ex-gratia payment of \$79,250.
- (f) DA Tynan ceased employment on 30 November 2006. The termination benefit comprises an ex-gratia payment of \$167,000.
- (g) JA Collier ceased employment on 17 May 2006. The termination benefit includes an ex-gratia payment of \$116,750, a pro-rata of the 2005/06 bonus payment of \$39,358 and the value of the option expense to the date of vesting of \$14,373.
- (h) PG Lonergan ceased employment on 31 March 2007. The termination benefit comprises an ex-gratia payment of \$121,692.
- (i) NC Arundel commenced employment with the Group on 29 January 2007.
- (j) MR Duff was appointed to the position of Director Commercial on 1 November 2006.
- (k) RD Entwistle commenced employment with the Group on 13 November 2006.

Analysis of STI bonuses included in remuneration

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

	Included in remuneration ^(a)	Awarded in year	Not awarded in year ^(b)
	\$	%	%
Managing Director			
DC Seargeant ^(c)	675,000	100%	—%
Executives			
NC Arundel ^(d)	—	—%	—%
GC Dean	40,000	100%	—%
MR Duff ^(e)	—	—%	—%
HR Eberstaller	102,000	100%	—%
RD Entwistle ^(f)	—	—%	—%
PW Horton	67,034	97%	3%
Former executives			
PG Lonergan ^(g)	141,264	82%	18%
GC Lopez ^(h)	56,090	92%	8%
DA Tynan ⁽ⁱ⁾	57,341	89%	11%

- (a) Amounts included in remuneration for the year represents the amounts 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 STI bonus schemes for the 2007 year.
- (b) The amounts not awarded are due to the performance or service criteria not being met in relation to the assessment period.
- (c) The STI bonus includes an amount of \$225,000 awarded as an additional bonus payment for exceptional performance.
- (d) NC Arundel commenced employment with the Group on 29 January 2007.
- (e) MR Duff was appointed to the position of Director Commercial on 1 November 2006.
- (f) RD Entwistle commenced employment with the Group on 13 November 2006.
- (g) PG Lonergan ceased employment with the Group on 31 March 2007.
- (h) GC Lopez ceased employment with the Group on 29 September 2006.
- (i) DA Tynan ceased employment with the Group on 30 November 2006.

DIRECTORS' REPORT CONTINUED

Analysis of LTI performance shares granted as remuneration

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

	Number	Grant date	Vesting profile			Value yet to vest		Fair value	
			Vested during the year	Forfeited during the year ^(a)	Year in which the grant vests	Minimum ^(b)	Maximum ^(c)	Performance share – EPS	Performance share – TSR
			%	%		\$	\$	\$	\$
Managing Director									
DC Seargeant	100,000	19 Feb 2007	—	—	30 Jun 2010	Nil	551,000	6.39	4.63
Executives									
NC Arundel	5,972	19 Feb 2007	—	—	30 Jun 2010	Nil	32,906	6.39	4.63
GC Dean	7,337	19 Feb 2007	—	—	30 Jun 2010	Nil	40,428	6.39	4.63
MR Duff	12,183	19 Feb 2007	—	—	30 Jun 2010	Nil	67,129	6.39	4.63
HR Eberstaller	4,982	19 Feb 2007	—	—	30 Jun 2010	Nil	27,451	6.39	4.63
RD Entwistle	15,938	19 Feb 2007	—	—	30 Jun 2010	Nil	87,818	6.39	4.63
PW Horton	12,183	19 Feb 2007	—	—	30 Jun 2010	Nil	67,129	6.39	4.63
Former executives									
PG Lonergan ^(d)	—	—	—	—	—	—	—	—	—
GC Lopez ^(e)	—	—	—	—	—	—	—	—	—
DA Tynan ^(f)	—	—	—	—	—	—	—	—	—

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

(b) The minimum value of performance shares 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 represents an estimate of the maximum possible value of the performance shares to be recognised in future financial years.

(d) PG Lonergan ceased employment on 31 March 2007.

(e) GC Lopez ceased employment on 29 September 2006.

(f) DA Tynan ceased employment on 30 November 2006.

Analysis of movements in performance shares

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

	Granted during the year ^(a)	Exercised during the year ^{(b) (d)}	Forfeited during the year	Total value for the year	Performance shares exercised	Amount paid per share
	\$	\$	\$	\$	Number	\$
Managing Director						
DC Seargeant	551,000	—	—	551,000	—	—
Executives						
NC Arundel	32,906	—	—	32,906	—	—
GC Dean	40,428	—	—	40,428	—	—
MR Duff	67,129	—	—	67,129	—	—
HR Eberstaller	27,451	—	—	27,451	—	—
RD Entwistle	87,818	—	—	87,818	—	—
PW Horton	67,127	—	—	67,129	—	—
Former executives						
PG Lonergan ^(c)	—	—	—	—	—	—
GC Lopez ^(e)	—	—	—	—	—	—
DA Tynan ^(e)	—	—	—	—	—	—

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

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

(c) PG Lonergan ceased employment on 31 March 2007.

(d) GC Lopez ceased employment on 29 September 2006.

(e) DA Tynan ceased employment on 30 November 2006.

There were no performance shares granted during the 2006 financial year. There were no performance shares granted since the end of the year.

Analysis of LTI options granted as remuneration

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

	Number	Grant date	Vested during the year	Forfeited during the year ^(a)	Year in which the grant vests	Value yet to vest	
						Minimum ^(b)	Maximum ^(c)
						\$	\$
Managing Director			%	%			
DC Seargeant	250,000	20 Nov 2003	100	—	30 Jun 2007	—	—
	250,000	11 Dec 2003	100	—	30 Jun 2007	—	—
	250,000	16 Sep 2004	100	—	30 Jun 2007	—	—
Executives							
NC Arundel	—	—	—	—	—	—	—
GC Dean	50,000	11 Dec 2003	100	—	30 Jun 2007	—	—
	50,000	17 Jun 2004	100	—	30 Jun 2007	—	—
MR Duff	—	—	—	—	—	—	—
HR Eberstaller	100,000	11 Dec 2003	100	—	30 Jun 2007	—	—
RD Entwistle	—	—	—	—	—	—	—
PW Horton	100,000	11 Dec 2003	100	—	30 Jun 2007	—	—
Former executives							
JA Collier ^(d)	200,000	20 Nov 2003	100	—	30 Jun 2007	—	—
	100,000	11 Dec 2003	100	—	30 Jun 2007	—	—
PG Lonergan ^(e)	100,000	11 Dec 2003	100	—	30 Jun 2007	—	—
GC Lopez ^(f)	100,000	11 Dec 2003	100	—	30 Jun 2007	—	—
DA Tynan ^(g)	100,000	11 Dec 2003	100	—	30 Jun 2007	—	—

(a) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the 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 ASX at the date the option is exercised.

(d) JA Collier ceased employment on 17 May 2006. As part of the termination benefit, the Board agreed to an option retention entitlement for options previously granted.

(e) PG Lonergan ceased employment on 31 March 2007.

(f) GC Lopez ceased employment on 29 September 2006. As part of the termination benefit, the Board agreed to an option retention entitlement for options previously granted.

(g) DA Tynan ceased employment on 30 November 2006.

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 named executives is detailed below:

	Granted during the year ^(a)	Exercised during the year ^{(b)(d)}	Forfeited during the year	Total option value for the year	Options exercised	Amount paid per share
	\$	\$	\$	\$	Number	\$
Managing Director						
DC Seargeant	—	—	—	—	—	—
Executives						
NC Arundel	—	—	—	—	—	—
GC Dean	—	121,200	—	121,200	40,000	3.35
MR Duff	—	145,000	—	145,000	50,000	3.35
HR Eberstaller	—	233,950	—	233,950	100,000	3.35
RD Entwistle	—	—	—	—	—	—
PW Horton	—	128,200	—	128,200	50,000	2.26
Former executives						
PG Lonergan ^(c)	—	414,000	—	414,000	200,000	2.805
GC Lopez ^(d)	—	141,000	—	141,000	100,000	3.35
DA Tynan ^(e)	—	293,000	—	293,000	100,000	3.35

(a) The value of options granted in the year is the fair value of the options calculated at grant date using a 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 ASX as at close of trading on the date that the options were exercised after deducting the price paid to exercise the option.

(c) PG Lonergan ceased employment on 31 March 2007.

(d) GC Lopez ceased employment on 29 September 2006. The options held at the date of cessation of employment have been disclosed as exercisable on that date.

(e) DA Tynan ceased employment on 30 November 2006.

There were no amounts unpaid on the shares issued as a result of the exercise of options. There were no options granted during the 2006 or 2007 financial years. There were no options granted since the end of the year.

DIRECTORS' REPORT CONTINUED

Unissued shares

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

Grant date	Expiry date	Exercise price	Number of shares
20 November 2003	30 September 2008	\$2.75	250,000
11 December 2003	30 September 2008	\$3.35	770,800
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 29.

As at the date of this report, there were 1,320,800 unissued ordinary shares under options (1,320,800 at reporting date). Refer to Note 29 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.

Share issued as a result of the exercise of options

During the year, the Managing Director and executives (including certain named executives) have exercised options to acquire 1,592,200 fully paid ordinary shares in the Company at a weighted average exercise price of \$3.03. 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 the Company's shareholders, as well as its employees, customers and the community.

The responsibilities of the Board include:

- providing input into, reviewing and approving the corporate and divisional strategic plans;
- making decisions in relation to matters of a sensitive, extraordinary or strategic nature;
- providing advice and counsel to management on a periodic and ad hoc basis;

- ensuring best practice corporate governance;
- appointing and where appropriate removing the Managing Director and approving succession plans;
- ratifying the appointment and where appropriate the termination of the direct reports to the Managing Director;
- monitoring the performance of the Managing Director and senior management and approving remuneration policies and practices for such Managing Director and senior management;
- enhancing and protecting the reputation of the 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 ongoing basis; and
- determining dividend policy and declaring dividends.

The Board operates in accordance with the principles set out in the Board Charter. The Board Charter details the Board's purpose, role, responsibilities and functions. A copy of the Board's Charter is 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 and Remuneration Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis.

Recommendation 2.4 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 and Remuneration Committee.

The full Board currently holds 10 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 seven 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 and 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, to be where any director-related business relationship has represented, or is likely in the future to represent, the lesser of at least 10% of the relevant segment's or the director-related business's revenue. The Board considered the nature of the relevant industries' competition, and size and nature of each director-related business relationship, in arriving at this threshold.*

Two directors of the Company are also directors of Carlton Investments Limited ("Carlton"), which is a substantial shareholder of the Company. Carlton is a publicly listed company 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, 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 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 interest exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Director education

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

DIRECTORS' REPORT CONTINUED

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 three 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 12 years service. The benefit is capped to a maximum lump sum per eligible director of \$165,000. The Chairman and Managing Director are not eligible to participate in the Directors' Retirement Plan.

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 and Remuneration Committee

The majority of the Nomination and Remuneration Committee members are non-executive directors. The role of the Nomination and 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 and Remuneration Committee during the year were:

- AJ Clark (Chairman) — 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 and Remuneration Committee meets twice a year and further as required.

Remuneration report

The remuneration report is set out on pages 31 to 40 and forms part of the directors' report for the year ended 30 June 2007.

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 associates and partnerships, 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 & 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 August 2006;
- 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, and evaluating and monitoring the internal audit function;
- reviewing internal and external audit reports and ensuring appropriate follow-up action;
- reviewing reports on frauds and theft and ensuring appropriate follow-up action;
- monitoring the establishment of appropriate ethical standards; and
- addressing any matters outstanding with the external auditors or statutory authorities.

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

Risk management

Risk profile and oversight of the risk management system

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting, and compliance risks for the 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 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.

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 ("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 regularly and processes are in place to promote and communicate these policies.

The Company has a Whistleblowing Policy for the 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 topics as:

- contract formation and pitfalls;
- indemnities in contracts;
- issues relating to the *Trade Practices Act 1974*;
- employment contracts, termination and redundancy;
- harassment and discrimination;
- occupational health and safety obligations; and
- corporate policies, including limits of authority and overview of the *Corporations Act 2001*.

Dealing in Company shares by directors and employees

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

All directors have entered into written agreements to notify the Company Secretary when they buy or sell shares in the Company. In accordance with the provisions of the *Corporations Act 2001* and the Listing Rules, the Company Secretary advises the 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 or Territory and other applicable legislation.

DIRECTORS' REPORT CONTINUED

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

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

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-year report contains summarised financial information and a review of the operations of the Group during the period. The report is sent to all shareholders (unless a shareholder has specifically requested not to receive the document);
- 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 45 and forms part of the directors' report for the year ended 30 June 2007.

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 APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the 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 6.

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 and Investments Commission. 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 23rd day of August 2007.