

# Chair

**I AM PLEASED TO PRESENT TO YOU THIS OVERVIEW OF THE OPERATIONS OF AMALGAMATED HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES (THE "GROUP") FOR THE YEAR ENDED 30 JUNE 2008. FOR A DETAILED ACCOUNT OF THE ACTIVITIES OF THE GROUP AND A REVIEW OF THE PERFORMANCE FOR THE YEAR, I COMMEND TO YOU THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS BY DIVISION CONTAINED WITHIN THIS ANNUAL REPORT.**

**ALAN RYDGE – CHAIRMAN**



## **RESULTS**

The Group's profit attributable to members was \$99.4 million compared to \$82.2 million in the previous year, an increase of 21%. This was an exceptional result and follows on from the 31 December 2007 half year where profit attributable to members was up 57% over the previous corresponding period.

From a profit perspective the year benefited from the strengthening in the international cinema exhibition business and an improvement of the earnings from the Hotels and Resorts and Thredbo businesses. Domestic exhibition earnings were below those of the prior year due mainly to various non-recurring items in the prior year's result.

The earnings from the Technology businesses, particularly Atlab, have been affected by reduced margins, the continuing decline in domestic film production activity and the initial impacts from changing technology.

The Group recorded profits from individually significant items totalling \$69.1 million. The individually significant items have been detailed within the financial statements and include the profit on the sale of the Group's equity accounted interest in Roadshow Distributors Pty Ltd, which was sold to Village Roadshow Limited in August 2007. Shareholders are aware that the Group has been associated with this business for over 30 years, however the opportunity to divest this interest has placed the Group in a financially sound position where it can now focus on its core operating businesses and future development and investment strategies. The sale did not effect the successful cinema joint venture in Australia between the Group and Village Roadshow Limited, which operates some 36 multiplex sites representing 417 screens. The sale price of \$129.4 million included the extinguishment of \$34.4 million in shareholder loans owing by the Group. The cash proceeds received net of the loans was \$95 million. The sale represented a pre-tax profit on the equity accounted investment of \$64.4 million.

## **PROPERTY**

The property portfolio has long been a significant asset component of the Group and the management of, and returns from, the property division is increasing in significance each year. The Group aims to maximise the available returns from the existing property portfolio both through enhanced management and, where appropriate, development.

The Group recently announced the purchase of the Gold Coast International Hotel, a 296 room hotel located at Surfers Paradise in Queensland. The purchase cost was \$56.5 million and the acquisition reflects the Group's policy to build the existing property portfolio when suitable opportunities are presented.

The Group continues to assess development strategies and future capital requirements, including various developments at Thredbo, the Gowings and State Theatre building sites and selected redevelopment of certain owned redundant cinema sites.

## **RESTRUCTURE INITIATIVES**

Whilst trading conditions continue to improve within Germany, the Group continues to maintain a high focus on the German operations and seeks to maximise efficiencies and enhance cost control wherever possible. The Group remains the dominant exhibitor in the German market with 70 cinema locations covering 519 screens.

# man's review

The Board is mindful of the impending impact of digital projection on both the cinema exhibition and Atlab businesses. While the digital model and the transition process are yet to be determined the Board is endeavouring to ensure that the transition process will affect the best outcome for the Group.

## **CORPORATE GOVERNANCE**

The Board is aware of the important role that it must undertake in maintaining and upholding corporate governance standards. The Board will, as has always been the case, endeavour to achieve the highest levels of accountability and transparency in all aspects of its reporting.

Consistent with these standards, the Board and Committees continue to be progressive in maintaining a corporate governance culture of which shareholders can rely. The Board and Committees continue to review, assess and, where applicable, implement practices to ensure the Group's compliance with its legal, statutory and corporate governance requirements.

## **BOARD OF DIRECTORS**

There have been two changes to the composition of the Board during the year. Mr John O'Neill, who was appointed to the Board in 2006, tendered his resignation as a Director of AHL in October 2007.

Mr O'Neill's resignation was necessitated by his increased business commitments and corresponding reduction in his available time.

Mr Richard Newton was appointed to the Board on 29 February 2008. Mr Newton's appointment was recommended to the AHL Board by the AHL Nomination and Remuneration Committee. Since his appointment, Mr Newton has contributed greatly to the Board's deliberations and his breadth of experience, background and skills complement those of the AHL Board.

## **DIVIDENDS AND CAPITAL MANAGEMENT**

The strength in the current year's profits has enabled the Board to recognise shareholders with an increase in the dividend declared for the year. Directors have declared a final dividend of 19 cents per share which, in addition to the 11 cents per share dividend that was paid on 13 March 2008, brings the total dividend paid for the year to 30 cents. This equates to an increase of 7% over the previous year's dividend of 28 cents. In declaring the dividend, the Directors continue to be mindful of the current trading environment in which the Group is operating, together with its ongoing cash requirements.

The Directors are continuing to abide by a dividend policy that will not only address the short-term needs of shareholders and the Group, but hopefully be at a level to provide longer-term continuity of earnings for both the Group and shareholders.

Capital management has always been, and remains, an important issue for the Board. Capital management initiatives are periodically assessed and have been incorporated into the Group's annual strategic planning review. All capital management initiatives applicable to the Group are assessed in the context of relevant factors such as the Group's longer term strategic plans as well as external conditions, including capital market environment and debt and equity markets.

## **THE FUTURE**

The Board believes the Group is in a strong position at the commencement of the new financial year.

Whilst the market segments in which the various businesses operate will, from time to time, undergo changes the businesses comprising the Group are robust and, notwithstanding variable operating conditions and external factors have a solid future. We can assure shareholders that management will continue to pursue opportunities that will allow long-term earnings growth for the Group.



**Alan G Rydge**  
Chairman  
Amalgamated Holdings Limited