

# Directors' Report

The directors present their report together with the financial report of Amalgamated Holdings Limited ("Company" or "Parent Entity") and the consolidated entity (the "Group"), being the Company and its controlled entities, for the year ended 30 June 2008 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 RG Newton (appointed 29 February 2008);  
 Mr JA O'Neill (resigned 11 October 2007); 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 on pages 4 and 5 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
<b>Number of meetings held:</b>	10	4	7
<b>Number of meetings attended:</b>			
AG Rydge	10	4	7
AJ Clark	10	4	7
TC Ford	9	— (a)	— (a)
RM Graham	10	4	7
M Hellicar	10	— (a)	— (a)
RG Newton (appointed 29 February 2008)	3	— (a)	— (a)
JA O'Neill (resigned 11 October 2007)	3	— (a)	— (a)
DC Seargeant	10	4 (b)	5 (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;
- 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 disposed of its interest in Roadshow Distributors Pty Limited ("Roadshow Distributors"). Further details of this transaction is outlined in the significant changes in the state of affairs and detailed below.

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant change in the state of affairs of the Group during the year included the sale of the Group's interest in Roadshow Distributors which was announced on 15 August 2007. Prior to the sale Roadshow Distributors was an equity accounted associated company. The consideration received was \$129,440,000, comprising cash proceeds of \$95,000,000 and extinguishment of loans totalling \$34,440,000. The profit on the sale before income tax was \$64,381,000.

## OPERATING AND FINANCIAL REVIEW

### Overview of the Group

The Group achieved profit before income tax and minority interest of \$146,823,000 (2007: \$102,432,000) being 43.3% above the prior year result. The profit included a gain on the sale of the Group's equity accounted interest in Roadshow Distributors of \$64,381,000 (\$37,977,000 net of income tax). The gain was announced to the market in August 2007 and has been recorded as an individually significant item.

The normalised result, being profit before individually significant items, discontinued operations, minority interest and income tax was \$75,623,000 (2007: \$65,777,000) and represented an increase of \$9,846,000 or 15% above the prior year result. Net profit after individually significant items and income tax was \$99,369,000 and compares to a profit of \$82,195,000 in the previous year, an increase of 20.9%.

	2008				2007			
	Normalised result *	Dis-continued operations	Individually significant items	Total	Normalised result *	Dis-continued operations	Individually significant items	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Entertainment</b>								
Cinema Exhibition Domestic	34,293	—	—	34,293	36,667	—	(2,590)	34,077
Cinema Exhibition International	6,297	—	8,957	15,254	1,526	—	(3,300)	(1,774)
<b>Hospitality &amp; Leisure</b>								
Hotels	30,861	—	—	30,861	25,107	—	—	25,107
Thredbo Alpine Resort	14,938	—	—	14,938	13,312	—	(1,424)	11,888
Leisure/Attractions	974	—	—	974	771	—	—	771
<b>Entertainment Technology</b>								
Atlab Holdings Pty Limited	169	—	(4,253)	(4,084)	2,705	—	—	2,705
Technology — other	3	—	—	3	313	—	—	313
<b>Strategic Investments</b>								
Other								
Available-for-sale investments	402	—	—	402	430	—	20,356	20,786
Property	2,744	—	—	2,744	8,415	—	—	8,415
<b>Unallocated revenues and expenses</b>	(13,059)	—	—	(13,059)	(10,676)	—	—	(10,676)
<b>Discontinued operations</b>								
Roadshow Distributors	—	2,115	64,381	66,496	—	15,112	—	15,112
Pier 26 Bar and Café	—	—	—	—	—	1,025	7,476	8,501
	77,622	2,115	69,085	148,822	78,570	16,137	20,518	115,225
Finance revenue	3,354	—	—	3,354	1,312	—	—	1,312
Finance costs	(5,353)	—	—	(5,353)	(14,105)	—	—	(14,105)
<b>Normalised result</b>	<b>75,623</b>	<b>2,115</b>	<b>69,085</b>	<b>146,823</b>	<b>65,777</b>	<b>16,137</b>	<b>20,518</b>	<b>102,432</b>
Income tax expense				(20,904)				(19,928)
Income tax (expense)/benefit from discontinued operations				(26,404)				(333)
				99,515				82,171
Minority interest				(146)				24
<b>Net profit</b>				<b>99,369</b>				<b>82,195</b>

\* Normalised result is profit/(loss) before individually significant items, discontinued operations, minority interest and income tax.

## DIRECTORS' REPORT CONTINUED

An analysis of the last five years is outlined below:

	AIFRS				PREVIOUS AGAAP
	2008	2007	2006	2005	2004
Total operating revenue and other income (\$'000)	619,528	628,905	614,612	598,976	481,497
Net profit/(loss)^ (\$'000)	99,369	82,195	59,441	45,651	(31,168)
Basic earnings per share (cents)	77.3	64.6	47.3	36.4	(25.0)
Dividends declared (\$'000)	38,738	35,854	30,261	23,268	16,226
Dividends per share (cents)	30.0	28.0	24.0	18.5	13.0

^ Net profit/(loss) after individually significant items, net finance costs, minority interest and income tax.

### Investments

The Group acquired property, plant and equipment totalling \$32,888,000 during the year. This figure excludes capital expenditure incurred through partnerships' activities. The acquisitions were primarily attributable to the expansion of the existing cinema circuits, refurbishment requirements for the cinemas, hotels and resorts, the infrastructure and operational requirements for the Thredbo Alpine Resort.

### Capital structure

During the year, 577,300 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 \$1,779,755. In addition, 473,182 performance shares were issued to employees under the Executive Performance Share Plan.

Borrowings decreased by \$156,556,000 during the year. The net debt to book equity ratio has decreased to 1.5% as at 30 June 2008 (2007: 34%).

### 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 EUR and NZD with cover at 30 June 2008 extending to June 2010 in EUR and December 2009 in NZD. At 30 June 2008, the Group had 52% (2007: 56%) of debt hedged.

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

The Group's main bank facilities comprise of:

- A\$160,000,000 of revolving multi-currency loan facilities;
- A\$70,000,000 of cash advance facilities which are rolling 364-day facilities; and
- A\$38,750,000 of credit support facilities (for the issue of letters of credit and bank guarantees).

All the above facilities mature on 10 July 2012. Under the revolving multi-currency facilities amounts can be borrowed either 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, wholly owned subsidiaries in Germany have working capital and bank guarantee facilities totalling €9,920,000 (A\$16,273,000), supported by a letter of credit and bank guarantees drawn under the Credit Support facility in Australia, and a further €5,340,000 (A\$8,760,000) 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 investment opportunities and seasonal fluctuations in working capital requirements.

### Cash flows from operations

Operating net cash inflows increased to \$103,002,000 from \$63,051,000 in the year to 30 June 2007. This increase was mostly attributable to higher receipts, higher distribution from associates and partnerships, reduced borrowing costs as a result of lower debt levels and 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 is set out on pages 8 to 13.

### STRATEGIC PLANS BY DIVISION

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

### ENTERTAINMENT

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

#### Cinema Exhibition — Domestic and International Enhancing the customer experience

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

- 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 opportunity. The Group anticipates achieving growth primarily through further expansion of the Gold Class concept building higher frequency through loyalty and further cost improvements.

### Rationalising under-performing cinema sites

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

### Industry developments

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

- 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 4 star accommodation that consistently delivers a product and service that meets or exceeds guest expectations. To provide this the Group will continue to pursue the following strategies including:

- the rejuvenation of all aspects of the hotel business to ensure Rydges' reputation continues to grow and is enhanced. The rejuvenation programme includes innovations and initiatives relating to products and guest room facilities including the Rydges Dream Bed, Rydges Rise Breakfast and enhanced in-room work and entertainment areas;
- the continued expansion of, and maintaining a leadership position in, the online booking capabilities for guests. *The Rydges PriorityGuest* program and the sales and revenue structure are important support functions for the online strategy;
- continuing to improve 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 and freehold acquisitions.

### Maximising returns from existing locations

The Group anticipates achieving continuing improvements in results through growth in revenues, effective cost control and, most importantly, a continued focus on the people aspects of the business.

## Thredbo Alpine Resort — Kosciuszko Thredbo

### Premier holiday destination

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

- continuing to ensure the popularity, high-quality and ambience of the winter-time resort facility;
- expansion of 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.

## ENTERTAINMENT TECHNOLOGY

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

## Atlab, Image and Sound Technology and Filmlab

### Maintaining pace with technological advances

The impact of, and transition to, digital technology is delivering significant change to the traditional film-based post production processes. The transition has necessitated significant capital investment in order to maintain Atlab as a market leader full-service Australian laboratory. The future impact of digital technology will impact the print business as the digitisation of Australian cinemas gathers momentum. The transition process is expected to occur over the next one to three years.

The Group's continuing investment in the Atlab business is currently under review.

### Maximising returns from existing businesses

With pressure on release print margins the short term focus is on restructuring business processes to reduce the level of operating costs.

### Industry developments

The Group expects that a digital platform will replace the current 35mm film release printing process over the next one to three years. The Group is assessing potential income streams from digital distribution to partially offset the loss of income from traditional film-based processes.

## 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.

## DIRECTORS' REPORT CONTINUED

### DIVIDENDS

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

Type	Per share Cents	Total amount \$'000	Date of payment	Tax rate for franking credit
<b>Declared and paid during the year:</b>				
Final 2007 — Ordinary shares	18	23,061	20 September 2007	30%
Interim 2008 — Ordinary shares	11	14,202	13 March 2008	30%
		37,263		
<b>Declared after the end of the year:</b>				
Final 2008 — Ordinary shares	19	24,536	25 September 2008	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

On 28 August 2008 the Company announced it had entered into a contract for the acquisition of the Gold Coast International Hotel for a purchase price of \$56,500,000, with expected settlement to occur on or around 10 September 2008.

Other than the matter noted 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	—
RG Newton	3,000	—	—
DC Seargeant	280,500	190,000	500,000

\* Relevant interest under the *Corporations Act 2001* differs from the disclosure required under Australian Accounting Standards as presented in Note 37 in the Financial Report.

### 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, RG Newton 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 of the Financial Report.

## Remuneration structure

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

## Non-executive director remuneration

### Objective

The Board seeks to set aggregate remuneration at a level which provides the 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 30 November 2007 when shareholders approved an aggregate remuneration of \$1,100,000 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 and the Nomination and Remuneration Committee. The payment of an additional fee recognises the additional time commitment required by directors who serve on those committees. Directors' base

fees are presently \$90,000 per annum (Chairman: \$235,000 per annum inclusive of committee fees). Directors' fees cover all main board activities. Non-executive director members who sit on both the Audit Committee and Nomination and Remuneration Committee receive an additional payment of \$14,000 per annum (Chairman of both the Audit Committee and Nomination and Remuneration Committee: \$28,000 per annum).

The remuneration of non-executive directors for the year end 30 June 2008 is detailed on page 26 in this report.

The Company also has a Directors' Retirement Plan. The Directors' Retirement Plan was suspended in respect of any new director appointments, on 15 May 2003 and directors appointed to the Board after that date are not entitled to participate in the Directors' Retirement Plan. Under the Directors' Retirement Plan, directors with more than three years service receive a retirement lump sum based on the length of service. The plan benefits accrue on a monthly basis and reach the maximum amount after 12 years service. The benefit is capped to a maximum lump sum per director of \$165,000. There were no benefits paid under the plan during the year ended 30 June 2008.

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

Director	2008 \$	2007 \$
AJ Clark	165,000	165,000
TC Ford	165,000	165,000
RM Graham	165,000	165,000
Total	495,000	495,000

As at 30 June 2008, 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 25.

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

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

## DIRECTORS' REPORT CONTINUED

### 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 detailed below.

Executive	Maximum STI calculated fixed annual on remuneration *	ALLOCATED BETWEEN					
		Group earnings	Divisional earnings	Department costs	Special projects	Quantitative KPI's	Qualitative KPI's
DC Seargeant	100%	45%	—	—	50%	—	5%
NC Arundel	50%	16%	16%	—	—	16%	—
GC Dean	40%	13%	—	—	6%	20%	—
MR Duff	40%	20%	—	5%	10%	5%	—
HR Eberstaller	50%	16%	16%	—	8%	—	8%
RD Entwistle	50%	16%	16%	—	6%	10%	—
PW Horton	40%	15%	—	2%	—	5%	17%

\* 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. No additional bonuses were awarded during the 2008 year. 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 2008 are based on Amalgamated Holdings Limited's EPS and TSR growth over the Performance Period of the three years from 30 June 2007 (being the “Base Year”) to 30 June 2010.

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

### TSR hurdle

The TSR hurdle requires that the growth in the 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:

- 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 pages 29 and 30.

### 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:

	AIFRS				PREVIOUS AGAAP
	2008 \$	2007 \$	2006 \$	2005 \$	2004 \$
Net profit before individually significant items, minority interest and income tax	77,738,000	81,914,000	73,693,000	64,949,000	59,349,000
Share price (year end)	4.87	6.45	4.87	4.30	3.37

### 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.		

## DIRECTORS' REPORT CONTINUED

### 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
<b>Directors</b>			
Alan Rydge	Chairman and non-executive director	1 July 2007 — 30 June 2008	(a)
Anthony Clark	Independent non-executive director	1 July 2007 — 30 June 2008	(a)
Thomas Ford	Independent non-executive director	1 July 2007 — 30 June 2008	(a)
Robert Graham	Independent non-executive director	1 July 2007 — 30 June 2008	(a)
Meredith Hellicar	Independent non-executive director	1 July 2007 — 30 June 2008	(a)
Richard Newton	Independent non-executive director	29 February 2008 — 30 June 2008	(a)
John O'Neill	Independent non-executive director	1 July 2007 — 11 October 2007	(a)
<b>Executive Director</b>			
David Seargeant	Managing Director and Chief Executive Officer	1 July 2007 — 30 June 2008	(a)
<b>Executives</b>			
Norman Arundel	Managing Director Rydges Hotels & Resorts	1 July 2007 — 30 June 2008	(b)
Gregory Dean	Company Secretary	1 July 2007 — 30 June 2008	(a)
Mathew Duff	Director Commercial	1 July 2007 — 30 June 2008	(a)
Hans Eberstaller	Managing Director AHL Strategic Investments	1 July 2007 — 30 June 2008	(c)
Ross Entwistle	Managing Director AHL Entertainment	1 July 2007 — 30 June 2008	(c)
Peter Horton	Director Finance & Accounting	1 July 2007 — 30 June 2008	(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 include remuneration relating to the portion of the relevant periods that each individual was a key management person.

	SHORT TERM			POST-EMPLOYMENT	SHARE-BASED		OTHER			Total	Proportion of remuneration performance related	Value of options as a proportion of remuneration
	Fixed annual remuneration and fees	STI bonuses	Non-cash benefits	Superannuation contributions	LTI options <sup>(a)</sup>	LTI equity <sup>(b)</sup>	Movement in accrued leave entitlements	Retirement benefits	Insurance premiums <sup>(c)</sup>			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Directors</b>												
<b>Non-executive</b>												
AG Rydge												
<b>2008</b>	206,871	—	—	13,129	—	—	—	—	—	220,000	—	—
2007	197,314	—	—	12,686	—	—	—	—	—	210,000	—	—
AJ Clark												
<b>2008</b>	101,835	—	—	9,165	—	—	—	—	—	111,000	—	—
2007	95,413	—	—	8,587	—	—	—	(d) 22,580	—	126,580	—	—
TC Ford												
<b>2008</b>	77,982	—	—	7,018	—	—	—	—	—	85,000	—	—
2007	73,394	—	—	6,606	—	—	—	—	—	80,000	—	—
RM Graham												
<b>2008</b>	98,000	—	—	—	—	—	—	—	—	98,000	—	—
2007	86,303	—	—	5,697	—	—	—	—	—	92,000	—	—
M Hellicar												
<b>2008</b>	77,982	—	—	7,018	—	—	—	—	—	85,000	—	—
2007	73,394	—	—	6,606	—	—	—	—	—	80,000	—	—
RG Newton <sup>(f)</sup>												
<b>2008</b>	25,994	—	—	2,339	—	—	—	—	—	28,333	—	—
2007	—	—	—	—	—	—	—	—	—	—	—	—
JA O'Neill <sup>(e)</sup>												
<b>2008</b>	22,039	—	—	1,983	—	—	—	—	—	24,022	—	—
2007	30,581	—	—	2,752	—	—	—	—	—	33,333	—	—
<b>Executive</b>												
DC Seargeant												
<b>2008</b>	1,036,871	975,000	—	13,129	—	283,320	48,080	—	10,032	2,366,432	53.2%	—
2007	962,314	675,000	—	12,686	43,140	75,662	43,499	—	15,056	1,827,357	43.4%	2.4%

	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	Superannuation contributions	LTI options (a)	LTI equity (b)	Movement in accrued leave entitlements	Retirement benefits	Insurance premiums (c)			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
<b>Executives — the Company</b>												
GC Dean												
<b>2008</b>	<b>221,871</b>	<b>75,895</b>	—	<b>13,129</b>	—	<b>21,981</b>	<b>2,427</b>	—	<b>617</b>	<b>335,920</b>	<b>29.1%</b>	—
2007	202,314	40,000	—	12,686	5,548	5,551	32,932	—	562	299,593	17.1%	1.9%
MR Duff (g)												
<b>2008</b>	<b>363,871</b>	<b>124,950</b>	—	<b>13,129</b>	—	<b>36,136</b>	<b>18,906</b>	—	<b>857</b>	<b>557,849</b>	<b>28.9%</b>	—
2007	229,543	—	—	8,457	—	9,217	42,550	—	1,527	291,294	3.2%	—
PW Horton												
<b>2008</b>	<b>357,871</b>	<b>124,950</b>	—	<b>13,129</b>	—	<b>35,970</b>	<b>9,086</b>	—	<b>4,838</b>	<b>545,844</b>	<b>29.5%</b>	—
2007	344,314	67,034	—	12,686	5,498	9,217	32,291	—	4,377	475,417	17.2%	1.2%
<b>Executives — the Group</b>												
NC Arundel (i)												
<b>2008</b>	<b>371,871</b>	<b>14,583</b>	—	<b>13,129</b>	—	<b>23,226</b>	<b>25,209</b>	—	<b>740</b>	<b>448,758</b>	<b>8.4%</b>	—
2007	144,439	—	—	5,285	—	4,518	13,404	—	210	167,856	2.7%	—
HR Eberstaller												
<b>2008</b>	<b>143,119</b>	<b>182,502</b>	—	<b>12,881</b>	—	<b>14,827</b>	<b>1,972</b>	—	<b>925</b>	<b>356,226</b>	<b>55.4%</b>	—
2007	224,932	102,000	—	12,318	5,498	3,770	30,038	—	834	379,390	29.3%	1.4%
RD Entwistle (h)												
<b>2008</b>	<b>466,871</b>	<b>57,011</b>	—	<b>13,129</b>	—	<b>46,909</b>	<b>32,013</b>	—	<b>407</b>	<b>616,340</b>	<b>16.9%</b>	—
2007	284,654	—	—	8,457	—	12,058	26,723	—	315	332,207	3.6%	—

(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 from the term of the option and market conditions. It has also been assumed that all options will eventually vest. Details of options on issue are set out under "Options" below and further details on the terms and conditions of these options is set out in Note 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) JA O'Neill was appointed on 14 December 2006 and resigned 11 October 2007.

(f) RG Newton was appointed on 29 February 2008.

(g) MR Duff was appointed to the position of Director Commercial on 1 November 2006.

(h) RD Entwistle commenced employment with the Group on 13 November 2006.

(i) NC Arundel commenced employment with the Group on 29 January 2007.

## DIRECTORS' REPORT CONTINUED

### 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 detailed below:

	INCLUDED IN REMUNERATION <sup>(a)</sup>	AWARDED IN YEAR	NOT AWARDED IN YEAR <sup>(b)</sup>
	\$	%	%
<b>Managing Director</b>			
DC Seargeant	975,000	100%	—%
<b>Executives</b>			
NC Arundel <sup>(e)</sup>	14,583	33%	67%
GC Dean	75,895	100%	—%
MR Duff <sup>(c)</sup>	124,950	100%	—%
HR Eberstaller	182,502	100%	—%
RD Entwistle <sup>(d)</sup>	57,011	50%	50%
PW Horton	124,950	100%	—%

(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 for the 2007 year. No amounts vest in future years in respect of the short-term incentive bonus schemes for the 2008 year.

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

(c) MR Duff was appointed to the position of Director Commercial on 1 November 2006.

(d) RD Entwistle commenced employment with the Group on 13 November 2006. The bonus awarded for the 2008 year has been apportioned to reflect the period of employment during the 2007 year.

(e) NC Arundel commenced employment with the Group on 29 January 2007. The bonus awarded for the 2008 year has been apportioned to reflect the period of employment during the 2007 year.

### Analysis of LTI performance shares granted as remuneration

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

	Number	Grant date	Vested during the year	Forfeited during the year <sup>(a)</sup>	Year in which the grant vests	FAIR VALUE	
						Performance share — EPS	Performance share — TSR
						\$	\$
<b>Managing Director</b>							
DC Seargeant	100,000	19 Feb 2007	—	—	30 Jun 2010	6.39	4.63
	100,000	18 Feb 2008	—	—	30 Jun 2011	6.02	4.31
<b>Executives</b>							
NC Arundel	5,972	19 Feb 2007	—	—	30 Jun 2010	6.39	4.63
	14,739	18 Feb 2008	—	—	30 Jun 2011	6.02	4.31
GC Dean	7,337	19 Feb 2007	—	—	30 Jun 2010	6.39	4.63
	8,996	18 Feb 2008	—	—	30 Jun 2011	6.02	4.31
MR Duff	12,183	19 Feb 2007	—	—	30 Jun 2010	6.39	4.63
	14,433	18 Feb 2008	—	—	30 Jun 2011	6.02	4.31
HR Eberstaller	4,982	19 Feb 2007	—	—	30 Jun 2010	6.39	4.63
	5,972	18 Feb 2008	—	—	30 Jun 2011	6.02	4.31
RD Entwistle	15,938	19 Feb 2007	—	—	30 Jun 2010	6.39	4.63
	18,376	18 Feb 2008	—	—	30 Jun 2011	6.02	4.31
PW Horton	12,183	19 Feb 2007	—	—	30 Jun 2010	6.39	4.63
	14,203	18 Feb 2008	—	—	30 Jun 2011	6.02	4.31

(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.

## 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 <sup>(a)</sup>	Exercised during the year <sup>(b)</sup>	Forfeited during the year	Performance shares exercised	Amount paid per share
	\$	\$	\$	Number	\$
<b>Managing Director</b>					
DC Seargeant	516,500	—	—	—	—
<b>Executives</b>					
NC Arundel	76,128	—	—	—	—
GC Dean	46,464	—	—	—	—
MR Duff	74,547	—	—	—	—
HR Eberstaller	30,845	—	—	—	—
RD Entwistle	94,912	—	—	—	—
PW Horton	73,359	—	—	—	—

(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 Australian Securities Exchange as at close of trading on the date that the performance shares were exercised.

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

## Analysis of LTI options granted as remuneration

No options granted as remuneration to the Managing Director and named executives vested during the year. All outstanding options vested in previous financial years. There are no options yet to vest as at 30 June 2008.

## 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 <sup>(a)</sup>	Exercised during the year <sup>(b)</sup>	Forfeited during the year	Options exercised	Amount paid per share
	\$	\$	\$	Number	\$
<b>Managing Director</b>					
DC Seargeant	—	700,000	—	250,000	2.75
<b>Executives</b>					
NC Arundel	—	—	—	—	—
GC Dean	—	98,700	—	30,000	3.21
MR Duff	—	—	—	—	—
HR Eberstaller	—	—	—	—	—
RD Entwistle	—	—	—	—	—
PW Horton	—	157,000	—	55,000	3.35

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

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

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

End of audited Remuneration Report.

## 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
11 December 2003	30 September 2008	\$3.35	463,500
17 June 2004	30 September 2008	\$3.14	30,000
16 September 2004	30 September 2008	\$3.72	250,000

## DIRECTORS' REPORT CONTINUED

Further details on the terms and conditions of these options is set out in Note 29 of the Financial Report.

As at the date of this report, there were 743,500 unissued ordinary shares under options (743,500 at reporting date). Refer to Note 29 of the Financial Report for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

### Shares issued as a result of the exercise of options

During the year, employees of the Group have exercised options to acquire 577,300 fully paid ordinary shares in the Company at a weighted average exercise price of \$3.08. 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, Mr AG Rydge, is not considered an independent director due to the substantial shareholding clause. Mr Rydge was previously Chairman and Managing Director of the Company until retiring from the position of Managing Director on 31 December 2001. The Board has determined that the chairmanship of Mr Rydge is of significant benefit to the Company and the Group due to his long standing contribution to, and association with, the Company and extensive knowledge of the film, hospitality and tourism industries. Mr Rydge has been a non-executive Chairman since 1 January 2002.

## Conflict of interest

In accordance with the *Corporations Act 2001* and the Company's Constitution, directors give standing notice on appointment of any interest that could potentially conflict with that of the Company and must keep the Board advised of any changes. Where the Board believes a significant conflict of 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.

## 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 22 to 30 and forms part of the directors' report for the year ended 30 June 2008.

### Audit Committee

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

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

The members of the Audit Committee during the year were:

- AJ Clark (Chairman) — non-executive independent director;
- RM Graham — non-executive independent director; and
- AG Rydge — non-executive director.

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

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.

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 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 35 and forms part of the directors' report for the year ended 30 June 2008.

### 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.

## DIRECTORS' REPORT CONTINUED

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

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

	THE GROUP		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Audit services:				
Auditors of the Company — KPMG Australia				
Audit and review of financial reports	886,590	858,091	315,903	314,886
Other assurance services	23,330	40,856	—	—
Overseas KPMG firms				
Audit and review of financial reports	375,752	412,612	—	—
	1,285,672	1,311,559	315,903	314,886
Other services:				
Auditors of the Company — KPMG Australia				
Income tax compliance	147,169	169,976	95,555	94,075
Indirect tax compliance advice	40,571	135,990	14,325	13,830
	187,740	305,966	109,880	107,905
Overseas KPMG firms				
International income tax compliance	125,296	126,883	—	—
Indirect tax compliance advice	33,826	49,300	—	—
Revenue certificates compliance	3,595	3,446	—	—
Other taxation services	103,530	117,284	—	—
	266,247	296,913	—	—
	453,987	602,879	109,880	107,905

### 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**  
Director



**DC Seargeant**  
Director

Dated at Sydney this 28th day of August 2008.

# Lead Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Amalgamated Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

KPMG

**KPMG**



**David Rogers**  
Partner

Sydney  
28 August 2008