



VILLAGE ROADSHOW LIMITED

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YEAR 2000 COMPLIANCE STATUS REPORT TO THE AUSTRALIAN STOCK EXCHANGE

The Village Roadshow Limited group of companies (VRL) comprises varied businesses in the entertainment and leisure industries. The major divisions are:

- (a) Cinema Exhibition and Leisure
- (b) Distribution of films, videos and interactive software
- (c) Radio
- (d) Theme Parks and Resorts
- (e) Film Production

1. ASSESSMENT

VRL's assessment of its overall potential exposure to Year 2000 compliance has not changed materially since the initial evaluation set out in our reports of June 1998, and March 1999. In those reports VRL identified potential exposure in two broad categories - Systems and External Parties. We have continued to follow the methodology, approach, and project plan as described in the earlier reports to identify and address potential Year 2000 issues.

2. NEW MATERIAL ACTIONS

No new material actions have been undertaken as a result of any project findings. There have been changes in scope, which reflect the acquisition of various businesses, and changed ownership levels or control in other operational groups. Where VRL has management involvement, these operations have been included in VRL's program and are subject to the same level of review as all other operations and locations.

3. PROGRESS

The project continues to advance on schedule for compliance development to be completed during October 1999. Contingency planning is underway and is at varying levels of completeness in the business units. Businesses which operate

24 hours a day (e.g. radio stations) are furthest advanced in contingency planning as they are drawing upon their pre-existing operational plans.

VRL continues to carry out Year 2000 compliance programs for businesses where VRL has management control. Progress in other joint venture businesses is advised to, and monitored by the relevant joint venture management committee. We continue to offer these partner operations access to experience, assistance and support.

VRL remains reliant on others for material aspects of its continued operation, in particular the provision of all basic utilities/infrastructure such as power, gas, water, sewerage, telephone and data transmission. No commercially feasible alternatives to these suppliers are available.

Further, in some locations part processed services are provided by VRL's landlords. Again, no alternative provisions in case of Year 2000 failure are possible. In these instances we are in contact with the landlords. In shopping centre based operations we remain reliant on the landlords for continued safe and secure access to our operations. No feasible alternative contingency access plans are available at most potentially affected sites.

Year 2000 Compliance Instruction Memos have continued to be issued by the Year 2000 Project Team. On-site evaluations of offshore locations are being conducted to audit compliance with VRL requirements.

All Year 2000 programs and activities are predicated on a hierarchy of business relevance, and are arranged so that knowledge can be gained in one operation through surveys, checking and testing, and the results can then be applied to other areas. Continuation of the hierarchical approach to the Year 2000, based upon business relevance, has enabled regions and operations to reduce the time taken to verify some compliance aspects and identify contingency needs. As this approach increases certainty and comparability through standardisation, it is also being adopted for contingency planning.

Our project progress is reported under the same headings as used in the June 1998 and March 1999 statements.

IT Systems

- VRL believes that the replacement of point of sale systems with compliant versions will be completed in Australia, Germany and Greece by the end of September 1999. Compliant point of sale systems are already in place in Singapore, Taiwan and Hong Kong.
- A telecommunications survey has been conducted, Year 2000 compliance checked, and where necessary remediated. A subsequent major upgrade with compliant hardware and software has obviated the need for secondary checks.

- All essential PCs in Australia and New Zealand will be compliant by the end of September 1999. All Australian computer networks and PC's have been upgraded. The installation on these machines of a fixed standard operating environment which includes Year 2000 compliant PC software will be completed in October.
- In the six months since March, system conversions have continued, with no significant problems having been encountered.
- New, Year 2000 compliant software has been installed in VRL's Distribution Division to provide processing for all aspects of the Australian operations. Conversion of New Zealand Distribution operations to this new system was completed during April 1999, with no subsequent issues.
- The identification of all other third party supplied applications remains an ongoing task. Decisions on the need for independent testing will be made based on the relative criticality of the software and the strength of the compliance statements received.
- A central resource continues to assist in the identification and remediation of office systems based applications that are not compliant. Spreadsheets are the major area requiring action. Remediation is being carried out on the basis of need so data files not required until the year 2000 are being quarantined until daily, weekly, and monthly cycle use items are corrected. Software tools are being installed with the new compliant software to assist in this correction process, to provide a warning, and to correct invalid date use. Protection against the use of non-compliant data has been installed.

Non-IT Systems

There are a significant number of devices used within the Group whose operation is dependent upon the correct operation of computer circuitry. Use of computer chips in this fashion is commonly referred to as embedded technology. Equipment in the Radio and Exhibition Divisions is the major user of this technology.

- Inventories have been completed for VRL managed operations in Australia and for critical items in overseas locations. Identification of these items is based on the reservoir of data acquired through the checking of over 100 sites.
- Final rectification works for projection and sound equipment in VRL-managed Australian cinemas are underway. Australia has completed the first stage of remediation at all operated sites and the second stage, which includes validation testing, will complete during October. A further test is proposed before 31 December to ensure that any equipment that has been replaced in service has not compromised compliance. All overseas locations operated by VRL have either independently tested their equipment, or gained assurances from the manufacturers that it will operate correctly in the Year 2000.

- In the Radio Division, remediation of identified non-compliant equipment will be completed by the end of September. Further validation checks on the remediated equipment will be completed before the end of the year to supplement ongoing operational testing. Stress testing of standby generation equipment will take place in the warmer weather closer to December.
- The specialist external contractor has now audited all operated and “at risk” buildings in Australian and New Zealand for compliance. No significant identified issues remain unresolved in either Australia or the territories where VRL is the responsible operator.
- In some instances “features” that cause an item to be noncompliant are able to be “turned-off” without any significant reduction in functionality. This particularly applies with office equipment.

External Parties

- Contact with significant and critical suppliers continues. Some of these suppliers have committed to maintaining increased inventories over the coming Christmas and New Year period. VRL is not able to provide any guarantees on the availability of products or services provided by third parties.

VRL Products

- VRL is not aware of any unidentified remaining exposure that is within its control with regard to amusement games. Operators remain responsible for the provision of power and other services to these machines. Where the games are installed in VRL owned or managed sites, we believe that provided services are available, Year 2000 problems are highly unlikely to prevent normal operations.
- VRL continues to pursue the producers/suppliers of interactive games to obtain resolution of the compliance status of their products. In the cases where these products rely on PC's for their use we remain unable to provide performance guarantees in the hands of third parties. The key determining factor is outside VRL's ability to control or influence.

Costs

- There have been no material changes to the cost estimates provided in previous reports.

4. RESIDUAL RISKS

VRL has long anticipated that its greatest risks are likely to be related to external factors and particularly suppliers. This is still the case. Those suppliers are in turn dependent upon others.

As many of VRL's Exhibition and Entertainment operations are located in shopping centres, they are reliant on the continued functioning of those centres. Failure of a centre would in most instances preclude VRL from operating. No cost-effective contingency plans can be put in place to overcome such an unlikely event. As stated previously, landlords have been contacted, and their Year 2000 compliance status is being assessed. This is continuing in Australia and other regions.

5. CONTINGENCY PLANS

Fall back manual systems are in place in several of VRL's businesses as part of normal prudent management practice. These systems, if invoked, will provide a degree of protection in the event of computer systems becoming unavailable. In the case of all cinemas operated by VRL, provided power is available, we have access to the site, and there are no external events that cause health and safety concerns for patrons or staff, VRL is confident it will be able to exhibit a film and sell tickets.

As a precautionary measure in cinemas, VRL will cease the last session well before midnight on 31 December, and we have scheduled a later than normal start for sessions on 1 January 2000. This simple measure will provide staff with the time needed to ensure that all systems will operate as normal.

Significant aspects of VRL's operations are conducted on a cash basis and as such are in some ways insulated from many of the problems faced by others, assuming cash continues to circulate. Similarly, VRL's film and video customers operate what are essentially short cycle cash businesses. These operating parameters have not changed, and reduce group exposures.

VRL has maintained its earlier restriction on leave for critical staff. Information Technology and related staff will not take leave from 1 October 1999 to 1 March 2000 inclusive. Leave for technical staff in the operations remains restricted. Other staff will be rostered over the period to ensure that, in the unlikely event of a problem arising, it can be expeditiously resolved.