

6 January 2004

Preference Share Scheme Update

As advised to ASX on 17 December 2003, the documentation, including the Scheme Booklet, for the proposed Scheme of Arrangement relating to the buy back of the Company's A Class preference shares was successfully dispatched to shareholders on or about 17 December 2003.

The Scheme Meeting and associated General Meeting and Class Meeting have been convened for 21 January 2004 at the Marriott Hotel in Brisbane.

Timetable

The timetable on page 3 of the Scheme Booklet states that the hearing of the Court to approve the scheme is scheduled to occur on 30 January 2004, if the resolutions proposed for the General and Scheme meetings scheduled for 21 January 2004 are passed.

On 23 December 2003, the Court informed the Company that arrangements had been put into place for 30 January 2004 to the effect that:

- the Court will hear the application for approval of the Scheme on Friday 30 January 2004; but
- that hearing would simply deal with directions for the hearing of the substantive application for approval of the Scheme, and not the substantive application itself.

The Company expects that the date that would be fixed by the Court for the hearing of the substantive application would be very soon after Friday 30 January 2004.

If the Scheme is not opposed on 30 January 2004, it is the Company's intention to ask the Court to hear the substantive hearing on that date.

In the Company's view, these arrangements mean that the Company will have notice of and opportunity to prepare its response to objections, if any, to the Scheme and will not have any effect on the implementation of the Scheme in accordance with the timeframe referred to in the Scheme Booklet.

Trading

Overall trading for the months of November and December 2003 has been in line with the earnings forecasts provided to and relied upon by Grant Samuel & Associates Pty Ltd in the preparation of the Independent Expert's Report contained in the Scheme Booklet.

Other Matters

Austereo Group Limited announced yesterday, 5 January 2004, that Brian Bickmore has resigned from the Board of Austereo Group Limited and from his position as Managing Director Corporate Development & International Media, effective 15 January 2004.

Mr Bickmore's termination package of \$1.9m, paid in accordance with the terms of his contract of employment, included 12 months' salary and the balance of his executive retirement benefit, together with the payout of his statutory annual leave and long service entitlements. Due to provisioning in prior years, the payment of the termination package will only have an immaterial impact on budget for Austereo of approximately \$400,000 and will not have any effect on the forecast current year results for Austereo Group Limited.

On 23 December 2003, Village Roadshow Limited and two of its subsidiaries, Medborne Pty Ltd and VR International Pictures Pty Ltd, were served with proceedings in the Supreme Court of Victoria by investors associated with members and former members of accounting firm KPMG. The proceedings are in respect of those investors' tax leveraged investments in a film partnership with the two subsidiaries relating to the film, *The Matrix*. Those investments (which totalled approximately \$23m) were highly leveraged with a significant proportion of the funds invested being provided to those investors by other Village Roadshow Limited subsidiaries. This film partnership, "Groucho II Film Partnership: Matrix (Production)", is considered by the Australian Tax Office to constitute a "mass marketed investment scheme". The proceedings claim that Medborne has breached the Partnership Agreement in various respects, including in relation to accounting issues and a failure to consult with the KPMG partnership representative. The Company and its subsidiaries intend to vigorously defend the proceedings. The Company does not believe that the proceedings will have any material effect on its financial position.

Further announcements about the approval and implementation of the new scheme will be made as required.