

24 August 2010

## **PROPOSAL TO SIMPLIFY VILLAGE ROADSHOW'S CAPITAL STRUCTURE**

Village Roadshow Limited ("VRL") today announced that it will proceed with the proposal to simplify its capital structure.

As previously announced on 9 August 2010, the proposal involves:

- the variation of rights attaching to VRL's preference shares so that each preference share will have the same rights as, and effectively convert into, one VRL ordinary share ("Variation"); and
- an on-market buy-back of some of VRL's preference shares and ordinary shares ("Buy-Back").

The effect of the Variation is that VRL's preference shares will effectively convert into ordinary shares with VRL then having a single class of quoted securities on the Australian Securities Exchange ("ASX").

VRL Chairman, Robert Kirby said, "The proposed transaction is consistent with VRL's capital management objective of creating a more efficient capital structure and maximising value for all VRL shareholders. It is also expected to provide shareholders with an enhanced opportunity to sell their shares in VRL if they wish to do so."

The Directors of VRL believe that the proposed transaction is in the best interests of VRL shareholders given the issues associated with the current capital structure of preference shares and ordinary shares. These issues include reduced liquidity and an inflexible approach to dividend policy. In addition, the preference shares are outdated and no new preference shares may be issued on the same terms as existing preference shares.

The proposal to simplify VRL's capital structure reflects feedback from VRL shareholders. The largest beneficial owner of VRL preference shares has indicated to VRL that it supports the proposal in principle and, subject to reviewing the explanatory memorandum, intends to vote in favour of the proposed transaction.

VRL's major shareholder, Village Roadshow Corporation Pty Ltd ("VRC"), is controlled by Robert Kirby, John Kirby and Graham Burke, each of whom is an Executive Director of VRL (collectively the "Executive Directors"). VRC and the Executive Directors control approximately 68.2% of VRL's ordinary shares on issue and no preference shares. VRC has indicated to VRL it supports the proposal and intends to vote in favour of the proposed transaction. VRC and the Executive Directors have indicated to VRL that they do not intend to sell any VRL ordinary shares during the Buy-Back period.

The Variation is conditional on VRL buying back preference shares and ordinary shares totalling at least 11 million shares in VRL (representing 6.6% of the total number of preference shares and ordinary shares on issue). Of the first 11 million shares to be bought back, the total number of ordinary shares to be bought back will be 4.5 million or less (representing up to 3.9% of the total number of ordinary shares on issue).

The maximum number of shares to be bought back will be 35 million (including no more than 11.4 million ordinary shares). VRL may buy back less than this amount of shares (or no shares at all) and shares may be bought back at prices, volumes and times determined by VRL, subject to the ASX Listing Rules.

VRL intends to fund the Buy-Back by increasing its borrowings. VRL has received a credit approved term sheet from Australia and New Zealand Banking Group Limited for additional finance for the proposed transaction which imposes certain conditions and limitations upon VRL. These include a restriction on VRL from paying any dividends until the additional finance has been repaid in full (repayment is scheduled for January 2012).

VRL intends to conduct the Buy-Back over a three week period, which is expected to commence on 27 September 2010 and conclude on 18 October 2010. VRL reserves the right to amend this timetable at any time and for any reason.

The proposed transaction requires approval at a general meeting at which preference shareholders and ordinary shareholders may vote ("General Meeting"), and separately at a meeting of preference shareholders at which only preference shareholders may vote ("Preference Shareholder Meeting"). The Directors of VRL recommend that eligible shareholders vote in favour of the proposed transaction at each meeting.

The General Meeting will be held at Cinema 11, Jam Factory Complex, 500 Chapel Street, South Yarra, Victoria on Friday, 24 September 2010 commencing at 9.30am (Melbourne time). The Preference Shareholder Meeting will commence immediately upon completion or earlier adjournment of the General Meeting at the same location.

VRL has prepared an explanatory memorandum which contains details of the proposed transaction, the indicative impact of the transaction on the VRL group, information to assist shareholders in making a decision on how to vote in relation to the transaction and to assist shareholders in making a decision whether or not to sell shares during the Buy-Back period.

Before shareholders decide whether to vote in favour of the proposed transaction or sell their shares during the Buy-Back period, they should read the explanatory memorandum and seek professional advice in relation to their own particular circumstances.

The explanatory memorandum and notices of the General Meeting and Preference Shareholder Meeting together with the relevant proxy forms will be mailed to preference shareholders and ordinary shareholders.

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