

 **VILLAGE ROADSHOW LIMITED**

Annual Report 2006



06

Village Roadshow Limited
ABN 43 010 672 054

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OUR BUSINESS

Founded by Roc Kirby, Village Roadshow first commenced business in 1954 in Melbourne, Australia and has been listed on the Australian Stock Exchange since 1988. Still based in Melbourne, Village Roadshow is a leading international entertainment and media company with core businesses in Theme Parks, Film Production, Cinema Exhibition, Radio and Film Distribution.

Each of these businesses are well recognised retail brands and strong cash flow generators; together they create a diversified portfolio of media and entertainment assets.



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Village Roadshow's assets include:

- > Australia's most popular theme parks on Queensland's Gold Coast: Warner Bros. Movie World, Sea World, Wet 'n' Wild Water World and Australian Outback Spectacular
- > Village Roadshow Pictures, a leading independent film producer of Hollywood movies with blockbuster hits including *The Matrix* trilogy, *Ocean's Eleven*, *Ocean's Twelve* and *Charlie and the Chocolate Factory*
- > Village Cinemas with state of the art complexes including in Australia, Greece and Singapore, together with a strong film distribution presence in Singapore and Greece
- > A majority shareholding in the Australian listed Austereo Group Limited which owns and operates Australia's leading FM radio networks, Today FM and Triple M
- > Roadshow Films, Australasia's largest independent film, video and DVD distribution business.



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TO OUR SHAREHOLDERS

2006 has been a very productive year for Village Roadshow as it represents the culmination of an enormous amount of work to turn around the direction of your Company and position us for a strong future.

Village Roadshow Limited has always been about building businesses.

From our original inception as a public company we saw steady growth in our share price with:

- > The creation of Warner Bros. Movie World – the basis of becoming the leading theme park operator in Australia today;
- > The opening of our world class cinema circuit across Australia – together with our partners Greater Union, we are the leading circuit;
- > Putting together Triple M and Today Networks to create the new Austereo – the biggest radio network in Australia;
- > The creation of Village Roadshow Pictures Group – now the world's leading independent film production company; and
- > The pioneering and continued market leadership by Roadshow of the home entertainment industry in Australasia.

However, in the early 2000's our expansion into foreign Cinema Exhibition in a number of major countries proved traumatically disappointing and drove our share price into a slump. We weren't alone in calling it wrong as some of the world's largest entertainment/media companies experienced similar poor performance.



JOHN R KIRBY
Chairman

In the last three years we have focused on turning our ship around with the sale of cinema circuits in Germany, United Kingdom, Taiwan, Korea, Argentina, Austria and others. We have taken the pain and the losses and massively reduced the liability of the lease commitments. In the remaining primary markets of Australia, Greece and Singapore, we have the leading circuits with scale for marketing, buying and overhead spread.

During last year, as well as addressing Cinema Exhibition, our redirection programme has included:

- > The multi-million dollar restructure of the Film Production division which not only provided a return of capital to Village Roadshow but also access to significant expertise, contacts and proven entrepreneurial spirit with our wonderful new partners, Hal Gaba, Norman Lear and Michael Lambert; and
- > The extension and upsizing of the Film Production financing



ROBERT G KIRBY
Deputy Chairman

facility to US\$1.4 billion which enables the division to lift the number of films it could produce each year to 10 to 12.

Subsequent to year end, we completed the 100% acquisition of the theme park division while retaining our close and strong relationship with Warner through a long term licensing agreement for Warner Bros. Movie World. We also acquired the remaining 50% in the Sea World Resort Hotel resulting in the Company now owning 100% of all its Australian theme park businesses.

This restructuring program resulted in a number of one-off material items and losses from discontinued businesses which impacted on the full year result and the Company recorded an after tax loss of \$35.1 million for the year ended 30 June 2006, compared to last year's profit of \$49.3 million.

Excluding material items and discontinued businesses, the Company's attributable net profit was \$20.1 million compared to



GRAHAM W BURKE
Managing Director

\$35.1 million for the prior year due primarily to lower trading results from Cinema Exhibition and Theme Parks and other one off expenses incurred during the year but which were not included as material items.

Underlying cash flow from the Company's businesses was still strong, however, with reported earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations at \$174.2 million in the current year, compared to the previous year's \$197.4 million.

A summary of the financial results for the year appear in the table below and full details appear in the financial report for the 2006 year starting from page 17 of this annual report.

As part of its capital management program, during the year the Company completed on-market buy backs totalling approximately 10% of the ordinary shares on issue for \$45.4 million.

Financial Summary

	2006	2005	% Change
\$M			
Reported EBITDA excluding Material Items and Discontinued Operations	174.2	197.4	(11.75)
Pre tax profit – excluding Material Items and Discontinued Operations	56.2	94.0	(40.21)
Less Tax expense, excluding tax on Material Items and Discontinued Operations	21.9	43.3	(49.42)
Outside equity interests	14.2	15.6	(8.97)
Attributed profit after tax, before Material Items and Discontinued Operations	20.1	35.1	(42.74)
Net Material Items and Discontinued Operations	(55.2)	14.2	N/A
Net profit (loss)	(35.1)	49.3	N/A
Total equity before outside equity interests	498.1	572.0	(12.92)
Total earnings per share before Material Items and Discontinued Operations (total shares) (cents)	7.47	11.84	(36.91)
Return on average equity (%)	5.67	7.07	(19.80)
Net tangible assets plus Film Library and Radio Licences (\$ per share)	1.71	1.83	(6.56)

Corporate Review

Based on the loss incurred for the 2006 financial year and the bank debt covenant levels which were higher as a result of the theme park acquisition, the Board has resolved not to pay a dividend, however this policy will continue to be reviewed based on the performance of the Company. In November 2005 a special dividend of 7.175 cents per ordinary share and 10.175 cents per preference share, fully franked at 30%, was paid based on the previous financial year's profitable results and the availability of funds due to the restructure of the production division.

*Shrek 4D Adventure**,
Warner Bros. Movie World,
Gold Coast, Queensland↓



Theme Parks

Now 100% under Village Roadshow's ownership, we view our Theme Park business with great confidence. There is no threat from new technology as you cannot replicate on the internet or at home the thrill of the "going out" experience and the "whoosh" of a great ride.

On the Gold Coast we have five major gates:

> Warner Bros. Movie World – our original classic theme park returned to its highly competitive position with two major new attractions – *Shrek 4D Adventure** and *Superman Escape* – driving attendances in the second half of 2006 up 9.5% on the previous year with consequent growth in earnings.

> Sea World numbers were down after three years of excellent attendances and profit growth following the opening of *Polar Bear Shores* and *Shark Bay*. However a new attraction is planned for Christmas trading to reinstate admission levels.

> Wet 'n' Wild Water World was given a boost in size and capacity during the year with the addition of seven new water slides and a significant up-grade to the children's play area, *Buccaneer Bay*.

Superman Escape ride,
Warner Bros. Movie World,
Gold Coast, Queensland.↓



> Paradise Country also recorded its fourth consecutive increase in profitability as a result of attendance growth benefiting from a strong international market push and is proving to be an important contributor to attendances in our other parks.

> Australian Outback Spectacular opened in April 2006 and is a great testament to the vision and execution of our management team who continue to seek out new and innovative attractions. The arena based night-time show has been extremely successful operating at over 95% capacity since opening and excluding one-off opening costs, has been an immediate contributor to earnings.

We also made an investment in Sydney Attractions Group during the year which is closely aligned to our existing Theme Park business.

Our Theme Park management on the Gold Coast is second to none and we are utilising this base to investigate opportunities for growth in Australia and Asia.

Film Production

Since its humble beginnings nine years ago, Village Roadshow Pictures has released 46 films and has one of the strongest independent libraries in the business including such titles as

The Matrix trilogy, *Ocean's Eleven* and *Ocean's Twelve*, *Analyze This*, *Cats & Dogs*, *Miss Congeniality 1 and 2*, *Training Day*, *Mystic River* and *Charlie and the Chocolate Factory*. Our management team is one of the most experienced in the industry and they have crafted a line up for 2007 that others judge to be one of the strongest for any film company. Titles include: *License to Wed* with Robin Williams, *The Visiting* with Nicole Kidman, *The Reaping* with Hilary Swank, *I Am Legend* with Will Smith and *Music and Lyrics* with Hugh Grant and Drew Barrymore. All of these productions are joint ventures with our principal partner Warner Bros. with whom the Company has a loyal and long standing relationship.

November 17, 2006 is a very important date for Village Roadshow as *Happy Feet* opens in cinemas in the United States. This Australian film shot in Sydney under the stewardship of master film maker, George Miller is a CGI animated film that includes the voices of Hugh Jackman, Nicole Kidman, Magda Szubanski, the late Steve Irwin, Hugo Weaving, Robin Williams, Elijah Wood and Brittany Murphy. Many industry executives believe this film has the potential to be one of the highest grossing films of all titles released in 2006. It opens at Christmas in Australia and virtually every major country across the planet.

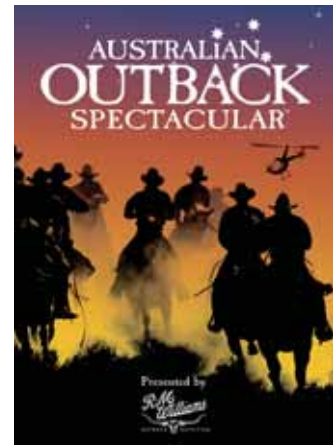
The financial restructure of our film production business involving Crescent Entertainment in October 2005 and extension and upsizing of the financing facility in January 2006 underpins a platform to achieve growth. This re-engineering of our film production division resulted in the release of US\$150 million (approximately A\$200 million) in cash to the Company and, together with earlier profit distributions from the division, has repaid all the funds advanced as part of the credit support required for the February 2003 refinancing.

Radio

The networks powered through the introduction of new licences with earnings growth during the year. This is a testament to the leadership at the network and our program and marketing strategies in a competitive market place.

In the financial year's final radio survey*, Austereo led the FM radio competition in Sydney,

Melbourne, Adelaide (equal first) and Perth, while the group was second in Brisbane. This is a major turnaround from the prior year, when Austereo led in two markets. The trend across the year was one of consistent audience growth as the programming and marketing strategies delivered strong outcomes. The audience and consequent earnings gains were achieved in spite of three new licences launching immediately prior to, or during, the year in Sydney, Melbourne and Brisbane. They are the final metropolitan commercial analogue radio licences to be launched.



Australian Outback Spectacular opened in April 2006, Gold Coast, Queensland.↑

Along with the great audience results in Austereo's markets, FOX FM Melbourne completed the year winning Australia's largest radio audience of 1,086,000 and 2 DAY FM Sydney took second place with 867,000 listeners. The Austereo teams have worked hard to extend their leadership in a crowded environment and Austereo now enters the new financial year strengthened by its best programming line-up ever. Sales initiatives have included dedicated research operations, integration and creative teams, and improved client marketing.

Along with other media operators, Village Roadshow, through Austereo, is also monitoring impending potential changes to media laws with interest. At a more practical level, the group is progressively converting technical facilities, in anticipation of the introduction of digital radio. Radio holds a unique

* Nielsen Radio Research, Capital Cities, Survey 4, 20 June 2006

Shrek characters, names and related indicia are TM and © 2005 Dreamworks Animation L.L.C.

place amongst media, being exceptionally well placed to complement the new digital platforms emerging. As a leader in commercial radio, this provides a strong and exciting outlook for Austereo. The new financial year has commenced with an excellent audience survey result**, with Austereo maintaining leadership and winning four of the five mainland city FM markets.

Cinema Exhibition

We have recrafted our Exhibition world, exiting non-performing territories and sites and taking write-offs.

We are now operating substantially in the three territories of Australia, Greece and Singapore, all markets where we have market leadership.



Gold Class luxury at Village Cinemas. Jam Factory, Melbourne, Victoria. ↑

In these markets we are deploying our unique Village concepts of **Gold Class**, **max™** and Cinema Europa. Trading was down on last year, due to a combination of restructuring and costs associated with new sites and some weakness in product in the first half.

Highlights in the year include:

> Australia – the opening of two new **Gold Class** centres at Crown Casino and the Jam Factory, and the complete rebuilding of Parramatta and Campbelltown that are now state-of-the-art complexes including both **Gmax** and **Gold Class**.

> Singapore – this year signifies the opening of the circuit's most important complex in Vivo City. This category killer site is the largest in Singapore and a new statement in excellence and fashion and includes **max™**, **Gold Class** and Cinema Europa.

> Greece – our circuit has been completely revitalised and two of our old original theatres have been replaced with exciting new concepts branded "Village World".

** Nielsen Radio Research, Capital Cities, Survey 5, 8 August 2006

Warner Bros. upcoming movie *The Departed* starring Leonardo Di Caprio, Matt Damon and Jack Nicholson. ↓



Village World includes **max™**, **Gold Class**, Cinema Europa, Village Café, Village Juice Bar, Village Movie Store and Village Bowling Alley. Under our Exhibition division management we have become the biggest bowling alley operator in Greece.

New competitive factors in the entertainment market place include games, the internet, mobile phones and the novelty of DVD – ultimately this will work to our advantage by further forging the feature film experience into the human psyche. We will reinforce this feature film experience with exciting offerings and new marketing energy and initiatives.

Film Distribution

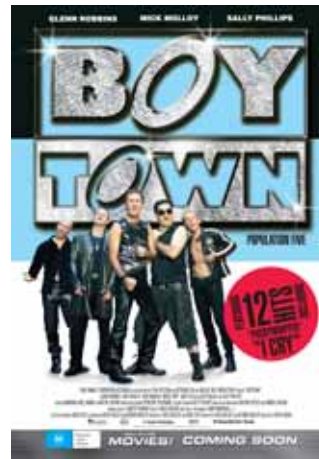
Roadshow Films produced a close to record result for the year with both the theatrical and entertainment divisions cementing their market leadership positions with 22.9% and 18% market share respectively.

We are proud to be Warner Bros.' exclusive theatrical distributor for Australia and have enjoyed a year of success with Warner Bros. features led by the outstanding performance of *Harry Potter and The Goblet of Fire* which was the Number One film of our pictures released this year. Upcoming from Warner are

big hits such as Jack Nicholson in *The Departed*, Hugh Jackman in *The Prestige* and Clint Eastwood's new film *Flags of Our Fathers*.

In addition to our own *Charlie and The Chocolate Factory* and *Dukes Of Hazzard*, other strong performers were *Wedding Crashers* and *Memoirs Of A Geisha*.

Roadshow has continued its commitment to Australian film production as it is commercially prudent and in shareholders interest. Importantly, we also see this commitment as a way of putting something back into our community. Film production is



Roadshow Films will release Mick Molloy's *BoyTown* in cinemas October 2006. ↑

crucially important as it's about the aspirations of our young people both by way of employment and our culture. We agree with that famous quote that "Australia must not become a remote Los Angeles suburb". During the year we released the critically acclaimed *Jindabyne*, the terrifying *Wolf Creek* and, in October 2006, Mick Molloy's *BoyTown*.

All of these features were in partnership with the Australian Film Finance Corporation and made possible by the Howard/Costello Federal Government's support for the industry. In addition, in our film production division, through the Government's tax offset policy, our big budget Australian film, *Happy Feet*, has been produced in Sydney. Upcoming Australian features include *December Boys* with Daniel Radcliffe and Jack Thompson and *Rogue* with Radha Mitchell, a major new feature film from Greg McLean.

Roadshow Entertainment continued to build a strong portfolio of television content that was successfully released on DVD lead by the BBC's *Little Britain* and the ABC's *Kath and Kim*. Distribution agreements have also been extended with Warner

Home Video and Paramount Home Entertainment which will also see the DreamWorks DVD products being distributed by Roadshow.

Closing Remarks

Our five business units all have strong underlying cash flows and potential for both organic and new growth. With the redirection that has occurred within the group we are once again confident that we are on a path which will maximise opportunities for growing shareholders' wealth.

However, none of this will be possible without the commitment and loyalty of our team and there is a sense of new energy and focus right across the group. We express particular appreciation to the members of our Executive Committee who direct the Company, for their invaluable contribution and tireless hard work. The Chief Executive Officers of our divisions – in Theme Parks, John Menzies; in Film Distribution, Joel Pearlman and Chris Chard; in Film Production, Bruce Berman and Greg Basser; in Cinema Exhibition, Kirk Senior; in Radio, Michael Anderson – we have the best management any group could have and in their businesses they have built unique teams and highly effective, motivated and loyal people. To each and every one of them we say – thank you.

JOHN R KIRBY
Chairman

ROBERT G KIRBY
Deputy Chairman

GRAHAM W BURKE
Managing Director



The opening of Australian Outback Spectacular takes the number of separately gated attractions on the Gold Coast operated by the Theme Parks division to five and cements the Company as Australia's largest theme park operator with over 3.5 million admissions annually.

During the year our outstanding management team at the Theme Parks worked extremely hard to bring a new park and a number of new attractions to market, all of which position the division for strong trading in 2007.

After years of careful planning, **Australian Outback Spectacular** opened in April 2006 to spectacular results! Since opening, the new attraction has been operating at 95% capacity and has been immediately profitable, demonstrating the unique ability of the Company's theme park management to introduce new, innovative products to the Gold Coast, rather than just duplicating existing attractions.

Set in an enclosed 1,000 seat arena, **Australian Outback Spectacular** is an exciting evening dinner show featuring drama, music and outback action and has been well received by domestic and international visitors alike.

The opening of Australian Outback Spectacular takes the number of separately gated attractions on the Gold Coast operated by the Theme Parks division to five and cements the Company as Australia's largest theme park operator with over 3.5 million admissions annually.

Theme Parks

Aerial view of Warner Bros. Movie World and Warner Roadshow Studios, Gold Coast, Queensland.



Warner Bros. Movie World also had an exciting year with the introduction of two major new attractions. The *Shrek 4D Adventure*[®] special effects movie was opened in September 2005 and *Superman Escape*, Australia's only catapult rollercoaster and a truly exhilarating experience, opened in December 2005. The impact of these two new attractions was immediately apparent with attendances in the second half of the financial year up 9.5%, lifting attendances for the year above the prior year level and returning Warner Bros. Movie World to its market leading position.

Significant expansion and upgrading occurred at **Wet 'n' Wild Water World** during the year with the addition of seven new water slides and the upgrading of the children's *Buccaneer Bay* area increasing size and capacity of the overall park by 33%. Wet 'n' Wild is now positioned strongly against the new Dreamworld water park which is expected to open

Aerial view of Sea World, Gold Coast, Queensland. ↓



Dolphin Cove is a popular attraction at Sea World, Gold Coast, Queensland. ↙

THEME PARK SENIOR MANAGEMENT

JOHN MENZIES – Chief Executive Officer, Village Roadshow Theme Parks

GRAHAM McHUGH – Chief Financial Officer, Village Roadshow Theme Parks

STEVE PEET – Chief Operating Officer, Village Roadshow Theme Parks

ERNST PFISTER – General Manager, Sea World Resort Hotel

LYNNE BENZIE – Vice President, Studio Operations, Warner Roadshow Studios

JEFF BUSCH – Director of Sales, Village Roadshow Theme Parks

MICHAEL CROAKER – Creative Director, Village Roadshow Theme Parks

TAUBIN GAY – Risk & Commercial Manager, Village Roadshow Theme Parks

PAUL GLOSTER – Director of Marketing, Village Roadshow Theme Parks

BEN GRAZIANI – Finance Manager, Village Roadshow Theme Parks

DAVID HOWELL – Food & Beverage Manager, Village Roadshow Theme Parks

JEFF HUGHES – Operations Manager, Village Roadshow Theme Parks

MIKE LAKE – President, Warner Roadshow Studios

TONY LINES – Industrial Relations Manager, Village Roadshow Theme Parks

TREVOR LONG – Director Marine Sciences, Village Roadshow Theme Parks

SCOTT LYNDON – Legal Counsel, Village Roadshow Theme Parks

ANN-MAREE O'NEILL – Human Resources Manager, Village Roadshow Theme Parks

MARIO SOPENA – Retail Manager, Village Roadshow Theme Parks

KEN SPILLER – Group Project Manager, Village Roadshow Theme Parks

ADRIAN SUMMERS – Technical Services Manager, Village Roadshow Theme Parks

JOHN HARNDEN – Chief Executive, International Theme Parks



in December 2006 but will have significantly lower capacity and less attractions than those already operating at Wet 'n' Wild.

Sea World experienced a slight downturn during the year after several years of trading strength off the back of *Shark Bay* and *Polar Bear Shores* but is still an excellent generator of earnings and cash flow for the business.

A new attraction for this park will be in place for the Christmas trading period to rejuvenate admission levels.

Paradise Country, the Australian country and farm experience located adjacent to Warner Bros. Movie World, has produced another year of solid profit and attendance growth benefiting from a stronger and more focused international marketing effort.

During 2006, the Company has also moved to 100% ownership of **Sea World Resort Hotel**, the 405 room resort adjacent to the Sea World theme park. The resort has continued to enjoy strong room rates and occupancy levels and will benefit from further synergies and cross promotional opportunities with the theme parks' enhanced marketing campaign.

Warner Roadshow Studios, also adjacent to Warner Bros. Movie World, has suffered from low occupancy levels throughout a large part of 2006 due to fierce international competition, however the studios are now fully booked through to March 2007 with a number of film productions on set which will assure a turn around for this ancillary business.

Aerial view of Wet 'n' Wild Water World, Gold Coast, Queensland. ↑

The Theme Parks division is now owned 100% by VRL and we look forward to the many growth opportunities that this will bring. Our offering is unparalleled on the Gold Coast, and in fact across the whole of Australia and we are true market leaders in terms of the attractions that we bring to the market. Our focus over the next 12 months will be to maximise the profitability of our pre-eminent Gold Coast tourist assets and the pursuit of opportunities to bring our extensive knowledge and experience in creating and running world class theme parks to new locations in Australia and Asia.

Shrek characters, names and related indicia are TM and © 2005 Dreamworks Animation L.L.C



VRPG's 46 releases include worldwide blockbusters ranging from *The Matrix* trilogy to *Ocean's Eleven* and *Ocean's Twelve* to *Charlie and the Chocolate Factory*; highly successful, critically-acclaimed dramas like *Mystic River* and *Training Day*; and breakout comedy hits like *Analyze This*, *Two Weeks Notice*, and *Miss Congeniality*.

Village Roadshow Pictures Group ("VRPG") continues to boast a high quality and diverse library of motion picture product. VRPG's 46 releases include worldwide blockbusters ranging from *The Matrix* trilogy to *Ocean's Eleven* and *Ocean's Twelve* to *Charlie and the Chocolate Factory*; highly successful, critically-acclaimed dramas like *Mystic River* and *Training Day*; and breakout comedy hits like *Analyze This*, *Two Weeks Notice*, and *Miss Congeniality*.

In October 2005, the Company successfully completed the multi-million dollar re-engineering of our Hollywood film production and exploitation business that is VRPG by granting options to Crescent Film Holdings and its affiliates to acquire a 50% shareholding in VRPG.

We further strengthened our film production business in January 2006 with the upsizing of our film production financing facility to US\$1.4 billion. This extension and upsizing will enable the film production division to lift the number of films it could produce each year to 10 to 12.

Film Production



Village Roadshow Pictures' animated comedy-adventure *Happy Feet*

Higher interest expenses and one-off costs associated with the restructure together impacted on VRPG's operating profit compared to last year. In the year to June 2006, VRPG released a strong slate that included five feature films: *Charlie and the Chocolate Factory*, *Dukes of Hazzard*, *Rumor Has It*, *Firewall*, and *The Lake House*.

These pictures delivered worldwide box office receipts in excess of US\$850 million with *Charlie and the Chocolate Factory* as the stand out performer of the group generating worldwide box office receipts in excess of US\$473 million. *Dukes of Hazzard* and *The Lake House* releases exceeded expectations, with both films generating well over US\$100 million in worldwide box office receipts. *Rumor Has It* also performed well with worldwide box office receipts in excess of US\$90 million.

Scene from the romantic comedy *Music & Lyrics* starring Hugh Grant and Drew Barrymore. ↓



> *Lucky You* tells the story of a compulsive gambler who comes to terms with his father when the two face off in the World Series of Poker championship in Las Vegas. The film stars Eric Bana, Robert Duvall and Drew Barrymore with the acclaimed director Curtis Hanson and is expected to also release in early 2007 in the U.S;

> *The Reaping* stars twice Academy Award winning actress Hillary Swank as a miracle-debunker investigating what appears to be the ten plagues of Egypt being visited on a small Louisiana town. The film is tentatively scheduled for release in the U.S. on March 30, 2007;

> *No Reservations* stars Catherine Zeta-Jones as Kate, a highly skilled, perfectionist Manhattan chef who clashes with her brash new sous chef, played by Aaron Eckhart, when he joins her kitchen staff at a trendy SoHo eatery. The film is expected to release in mid 2007 in the U.S; and

> *Ocean's Thirteen* reunites the Ocean's gang for one more score. George Clooney, Brad Pitt, Matt Damon and the rest of the Ocean's crew are together again in Las Vegas to rescue one of their own from new Vegas tycoon Willie Banks, played by Al Pacino. Tentative U.S. release date is scheduled for June 8, 2007.

VRPG's upcoming releases for the 2007 financial year are shaping up to deliver another successful slate of films including:

> the highly anticipated *Happy Feet*, which will kick off the year with release on November 17 in the United States and Canada closely followed by an extensive international release. This toe-tapping, visually stunning animated comedy-adventure set in the land of the Emperor Penguins in the heart of Antarctica was shot in Sydney under the stewardship of master film maker, George Miller is a CGI animated film that includes the voices of Hugh Jackman, Nicole Kidman, Magda Szubanski, the late Steve Irwin, Hugo Weaving, Robin Williams, Elijah Wood and Brittany Murphy;

> a holiday film for families, *Unaccompanied Minors*, stars Wilmer Valderrama and Tyler James Williams about five kids flying alone when they are stranded on Christmas Eve after a blizzard shuts down the airport – without a parent in sight. The U.S. release date is set for December 8, 2006;

> *Music & Lyrics* is a romantic comedy starring Hugh Grant and Drew Barrymore where a talented, washed-up 80's musical heart-throb from the group "Pop" gets a chance at a comeback when a reigning pop-diva invites him to write and record a duet. The U.S. release is tentatively scheduled for the first half of 2007;

FILM PRODUCTION SENIOR MANAGEMENT

GREG BASSER – Chief Executive Officer, Village Roadshow Pictures Group and Village Roadshow Entertainment Group USA

BRUCE BERMAN – Chairman & Chief Executive Officer, Village Roadshow Pictures Entertainment

BRYCE WOLFE – Finance Director, Village Roadshow Pictures Group

DANA GOLDBERG – President of Production, Village Roadshow Pictures Entertainment

MELISSA ANNA – Senior Vice President, Distribution & Media, Village Roadshow Pictures Entertainment

LEIGH BUTTERWORTH – Senior Business Analyst, Village Roadshow Film Administration Management

JEFFREY LAMPERT – Executive Vice President, World Wide Feature Productions, Village Roadshow Pictures Entertainment

MATTHEW VELKES – Chief Financial Officer, Village Roadshow Pictures Entertainment

PHILLIP VELLA – Business & Legal Affairs Manager, Village Roadshow Film Administration Management



Movie going remains an extremely popular form of entertainment and... we now have a focussed portfolio of core exhibition circuits with market leading positions and state of the art complexes.

Cinema Exhibition

Movie going remains an extremely popular form of entertainment and the ability of the Cinema Exhibition division to lead and maximise new trends in movie going is evidenced by the popularity and growth of our Gold Class, **max™** and Cinema Europa offerings.

During the year, the Company further demonstrated its ability to adapt to changing market conditions, divesting cinema circuits in another four territories. Over the last six years, 15 cinema territories have been sold, approximately \$600 million in lease commitments have been eliminated and we have now assembled a smaller but much stronger circuit.

Our businesses in Argentina, the UK, New Zealand and Fiji were all sold during the year, and we agreed to exit from our two sites in Austria. In addition, we incurred a number of one off expenses relating to the Palace circuit, restructuring and redundancies in Italy and pre-opening costs for the new sites opening in Greece. Whilst this meant a loss for the division in 2006, our focus is



max™ auditorium at Village Cinemas Knox, Melbourne, Victoria

now on our core territories of Australia, Greece and Singapore in which we have market leading positions, management control and state of the art circuits. This will position the division for solid delivery of earnings.

In our home territory of Australia, second half trading was pleasingly strong, boosted by the popularity of titles such as *The Da Vinci Code*, *Ice Age 2*, *Walk the Line*, *X Men 3* and *Cars*. A new site was opened in Campbelltown in March 2006 and the Parramatta site was completely rebuilt, opening in June 2006. Both sites are state of the art facilities which include **Gold Class** and **Gmax** screens. In addition, as a result of the continued growth and popularity of our **Gold Class** offering, the **Gold Class** area at the Jam Factory was extended and upgraded and benefited

We now have a focused portfolio of core exhibition circuits with market leading positions and state of the art complexes. Organic growth in our core territories over the next 12 months will continue, with earnings benefiting from our investment in new sites and major new marketing initiatives, movie gift cards and the Village Movie Club, a customer loyalty programme for movie lovers.

Village Cinemas Knox, Melbourne, Victoria. ↓



VILLAGE CINEMAS SENIOR MANAGEMENT

KIRK SENIOR – Chief Executive Officer, Village Cinemas

PABLO LUNDAHL – General Manager Operations, Village Cinemas

CHRIS JOHNSTONE – Director of Architecture, Village Cinemas

HARRY ANTONOPOULOS – Managing Director, Village Cinemas Greece

DAVID GLASS – Managing Director, Village Roadshow Leisure

JORDANA JENSEN – Marketing Manager, Village Cinemas

TOMAS PALICKA – General Manager, Village Cinemas Czech Republic

KENNETH TAN – Managing Director, Golden Village Cinemas, Singapore

immediately from increased trading. Our Australian circuit now boasts 50 **Gold Class** screens and 4 **Gmax**/**max** screens with a collective leading market share of over 38%.

In Greece, we have cemented our market leadership of the cinema exhibition market with a market share estimated at 35%. Old sites in Maroussi and Salonica have been replaced with “Village World” concepts which integrate all of our various branded cinema offerings – **max**, **Gold Class** and **Cinema Europa** – with further extensions of the entertainment concept including Bowling, Village Movie Shops and Village Cafes. In addition, a third new site at Volos was opened during the year.

Singapore had another excellent year with box office growth up 6.2% on last year, allowing the circuit to benefit from solid price rises across all sites.

In the coming year our market leading position will be significantly boosted by the opening of a new 15 screen flagship Harbourfront site at Vivo City, again showcasing the very latest and best of Village’s **max**, **Gold Class** and **Cinema Europa** concepts.

Italy achieved improved trading as a result of a strong focus on new marketing campaigns. A new site was also opened in May 2006 at Catania in Sicily.

For the second successive year, we hosted the hugely successful Czech International Film Festival at our Andel City site in Czech Republic. The combination of our increased public profile, rent reductions and 7% admissions growth resulted in the territory producing positive earnings and cash flow.

Gold Class lounge at Village Cinemas Crown Casino, Melbourne, Victoria. ↑



Austereo is well positioned to build upon its strong Today and Triple M Networks in the 2007 year, having proved its ability to not only weather the competitive conditions but thrive in them.

Radio

Austereo responded to the challenge of new competition during the year with creativity, determination and success. In spite of the more than 23% increase in new capital city FM licences since 2001, Austereo regained FM leadership in all but one of the Australian capital city markets, and delivered a return to growth in earnings.

Austereo's strategy of introducing exciting new programs and strengthening existing leading programs saw Austereo brands reassuming consistent market leading positions. The ongoing development of the **Triple M Network** – one of the most spectacular regrowths in Australian radio in recent years – continued apace with sales lifting year on year. The focus on the **Today Network** audience improvement has already seen 2Day FM Sydney, Fox FM Melbourne and SAFM Adelaide regain market leadership.

Austereo's outstanding star line up, including *The Cage*, *The Shebang*, *Tough Love*, *Get This*,

The success of radio is its accessibility – any time, any place



Deadset Legends, Kyle and Jackie O, Hamish and Andy and Matt and Jo, also enhanced the strength of the network brands. Austereo now has the strongest star and programming line up in many years.

New FM radio stations were launched in Brisbane, Sydney and Melbourne during the year, and a new station in Adelaide was launched shortly before commencement of the reporting period. There are no further capital city licences to be launched under the current licence plan.

Austereo now has the strongest star and programming line up in many years.



AUSTEREO SENIOR MANAGEMENT

PETER HARVIE – Executive Chairman, Austereo Group Limited

MICHAEL ANDERSON – Chief Executive Officer, Austereo Group Limited

KATHY GRAMP – Chief Financial Officer, Austereo Group Limited

GEORGE CHAPMAN – Director International Operations, Asia, Austereo Group Limited

DES DECEAN – Director Engineering and IT, Austereo Group Limited

GUY DOBSON – Group Program Director, Austereo Group Limited

GEOFF HILL – National Sales Director, Austereo Group Limited

JILL JOHNSTONE – Human Resources Manager, Austereo Group Limited

PATRICK JOYCE – General Manager Operations, Austereo Group Limited

JEREMY MACVEAN – Group Marketing Director, Austereo Group Limited

EMMA McDONALD – General Counsel, Austereo Group Limited

SCOTT McLOUGHLIN – National Promotions & Marketing Director, Austereo Group Limited

RICHARD BARKER – General Manager, Brisbane

SAM CICCARELLO – General Manager, Adelaide

HELEN DAVIES – General Manager, Sydney

GARY PERT – General Manager, Melbourne

LINDA WAYMAN – General Manager, Perth

Even with these new stations, in the final survey of the financial year* Austereo significantly outperformed the competition and demonstrated strong position gains over the same period in 2005**. A year ago, Austereo held number one FM places in Brisbane and Perth. By Survey 4, 2006, Austereo were FM leaders in Sydney, Melbourne, Adelaide and Perth – and number two in Brisbane. Australia's largest audience station, Fox FM in Melbourne, increased listeners from 922,000 to 1,086,000 year on year. 2Day FM Sydney won the nation's number two radio station place, lifting from 791,000 to 867,000 listeners.

Consistent audience leadership was a key factor in earnings growth and Austereo's EBIT result exceeded the prior year by 3.4%. Pleasingly new programming developments, robust marketing presence and sales expansion were also achieved without undue pressure, with radio costs from ongoing operations declining approximately 5% through a rigorous control of non-front

* (Nielsen Media Research, Capital Cities, Survey 4, 2006)

** (Nielsen Media Research, Capital Cities, Survey 4, 2005)

line expenses. EPS rose to 10.9 cents per share and operating margins also rose during the year.

The radio joint ventures in Canberra and Newcastle enjoyed success during the year with record sales and audience leadership in both markets, while our Malaysian involvement delivered continued market leadership. The Athens and UK ventures experienced slower progress, but we anticipate improved conditions in the forthcoming financial year.

Positioning for future growth through technological advancements was also a significant focus during the year. Austereo's online and digital media developments now include podcasting and the Hot 30 ring tone online shop, plus a project which saw the launch of Australia's first Internet Protocol Television (IPTV) music channel. In the field of podcasting, average monthly downloads of Austereo programmes increased from around 5,000 a month in 2005 to over one million downloads in June 2006.

Austereo is well positioned to build upon its strong Today and Triple M Networks in the 2007 year, having proved its ability to not only weather the competitive conditions but thrive in them. The radio business has maintained market leadership and its superb portfolio of talent and programs will drive it forward in the coming year. Continued development of digital media opportunities and the launch of exciting new programmes will ensure that we retain our leading creative edge advantage.

austereo

today network

TRIPLE M



Through its long standing supplier relationships, Roadshow Films continues to be a leader in the distribution of theatrical movies to cinema, DVD, pay and free to air television in Australia and New Zealand.

Film Distribution

Through its long standing supplier relationships, Roadshow Films continues to be a leader in the distribution of theatrical movies to cinema, DVD, pay and free to air television in Australia and New Zealand.

Roadshow Films consistently acquires a strong schedule of films which are outstanding box office performers and as a result, the division has enjoyed another successful year achieving a theatrical market share of 22.9% with five titles achieving in excess of \$10 million at the Australian box office.

As the theatrical distributor of the renowned Warner Bros. slate, the 2006 financial year saw the successful release of the fourth theatrical instalment of the hugely successful *Harry Potter* franchise. Securing the award as the number one title released in the course of the year, *Harry Potter and the Goblet of Fire* amassed box office receipts in Australia in excess of \$35 million.

Roadshow Entertainment achieved strong DVD results from the release of *Charlie and The Chocolate Factory* from Village Roadshow Pictures.



Other key releases that underpinned the 2006 result included *Charlie and the Chocolate Factory* and *The Dukes of Hazzard* from Village Roadshow Pictures, *Wedding Crashers* from New Line Cinema as well as *Memoirs of a Geisha* and *Brokeback Mountain* – both of which received three Academy Awards®.

Roadshow will continue its long standing successful relationship with Warner Bros. with a stellar line up including *The Departed* starring Jack Nicholson, Leonardo DiCaprio and Matt Damon, *The Prestige* starring Hugh Jackman, Christian Bale and directed by Christopher Nolan (*Batman Begins*) as well as the World War II drama, *Flags of Our Fathers* directed by Clint Eastwood – all of which will release in the 2007

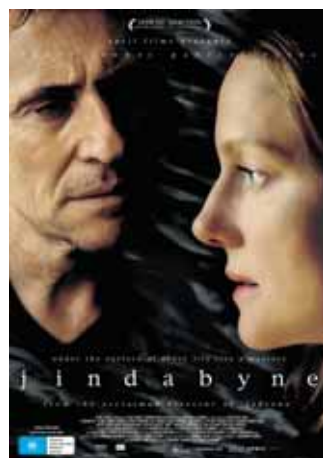
Harry Potter and the Goblet of Fire from Warner Bros. Pictures was Roadshow Films' Number One movie in 2006. ↓



Confidence in the entertainment sector is also reflected in the recent relocation into a new distribution facility, incorporating state of the art logistics and materials handling processes. The new facility located in western Sydney is expected to ship in excess of 30 million units in the 2007 financial year. Added to this is the renewal of long term distribution relationships with Warner Home Video as well as Paramount Home Entertainment which now includes Dreamworks.

With strong supplier relationships Roadshow Television continues to maintain its position as being a key independent distributor of theatrical titles to television in Free to air, Pay TV and Pay Per View mediums. The 25 per cent equity joint venture in The Movie Network has also assisted the strong result with growth in pay television subscription.

The future looks exciting with initiatives for developing revenue from 'new media' channels through establishing key relationships and by developing infrastructure for an on-demand distribution channel.



Jindabyne was one of Roadshow's outstanding Australian movies during the year. ↑

financial year. The upcoming schedule also contains titles from the new relationship with The Weinstein Company, the established relationship with New Line Cinema and the much anticipated new release from Village Roadshow Pictures – *Happy Feet*. With one of the largest campaigns ever mounted, *Happy Feet* will be one of the major summer releases for Roadshow.

Roadshow Films have always been a strong supporter of the Australian Film Industry having released *Wolf Creek* and *Jindabyne*, both achieving outstanding box office success. Australian films will again play a key role in the 2007 line up with Roadshow having secured the rights to *December Boys* starring Daniel Radcliffe,

BoyTown, the latest comedy from Mick Molloy and the new thriller *Rogue* from *Wolf Creek* director Greg McLean. In addition, of course, proudly completing the forthcoming Australian releases will be *Happy Feet*.

Roadshow Entertainment continues to be a leading independent distributor of DVD product to both retail and rental chains. The DVD market remains buoyant with Australian market revenue topping \$1 billion and with Roadshow Entertainment securing a market share of 16.5%.

Roadshow Entertainment has again achieved strong results from new releases *Charlie and the Chocolate Factory*, *Dukes of Hazzard* and *Wedding Crashers*. A strong and successful film library continues to be an important revenue generator with DVD sales from catalogue product contributing 40% of total entertainment sales. In addition to feature films, Roadshow Entertainment continues to derive tremendous value from the long term distribution relationships with both ABC Enterprises and the BBC, with the most recent series' of *Little Britain* and *Kath and Kim* being stand out performers.

ROADSHOW SENIOR MANAGEMENT

CHRIS CHARD – Managing Director, Roadshow Entertainment and Roadshow Television

JOEL PEARLMAN – Managing Director, Roadshow Film Distributors

CAROLE BROWNLIE – Finance Director, Roadshow Films

NOEL BECKETT – Managing Director Roadshow New Zealand

NICOLA CRADDOCK – Marketing Director ABC/BBC, Roadshow Entertainment

KATHRYN CARROLL – General Manager Acquisitions, Roadshow Film Distributors

BRANDON HILL – Sales Director, Roadshow Entertainment

LISA HUBBARD – General Manager Roadshow New Zealand

PHIL ONEILE – National Marketing Manager, Roadshow Film Distributors

JAMES QUIGLEY – General Manager Finance & Operations, Roadshow Entertainment

BRETT ROSENGARTEN – National Sales Manager, Roadshow Film Distributors

NICK TUDOR – Marketing Director, Roadshow Entertainment