



VILLAGE ROADSHOW LIMITED

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1999 Annual Report



Dear Shareholders

My purpose in creating Village Roadshow in the 1950s was to build a company with strong foundations for the long term. I have seen and been part of many difficult periods of this industry in my career. It is pleasing that your management team has brought the Company through this tough period recently with stronger results in most areas other than Cinema Exhibition. This says much about the powerful foundations of today's Village Roadshow—its strength in radio, distribution, film production and theme parks. And its management depth of talent and dedication. These assets, with the immediate outlook of better film product, demonstrates to me that the foundations for growth are strong indeed.

As a shareholder, and as one who knows the Company well, I am confident that the Company is well positioned to deliver increased shareholder value in the future; the foundations are in place to allow me to share my confidence with you.

Roc Kirby AM

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## Company Profile

Village Roadshow is one of the few fully integrated, international entertainment and leisure groups in the world, operating divisions in Cinema Exhibition, Film Distribution, Film Production, Theme Parks and Radio.

### History

Village Roadshow's history began in the 1950s with drive-in cinemas, and expanded over the decades into city cinemas and film distribution; television and film production; production and distribution of videos; and construction of multiplex cinemas. In the late 1980s, the Group's strategy required greater access to capital and accordingly it was decided the Company should become a public company, hence the creation of Village Roadshow Limited in 1988.

In the 1990s, the Group sought to strengthen its operating position by diversifying into complementary entertainment assets. This has included the development and purchase of the theme parks and the Austereo radio network. Simultaneously, the Group's reliance on Australia was reduced through the export of its cinema development and management expertise into selected international markets.

### Exhibition

Village Roadshow's international cinema network spans over 1,400 screens in 19 countries, along with strong strategic partnerships and alliances worldwide, including Warner Bros. in Australia, United Kingdom, Italy and Taiwan.

Village cinemas are truly 'cinemas of the future', incorporating the very latest innovative design features and state of the art technology. In Australia, Asia Pacific, Europe and Latin America, Village Roadshow is a powerful force in cinema exhibition with spectacular megaplexes and innovative concepts. Many new landmark projects are also in development with exciting new sites currently under construction.

### Distribution

In Australia, the Company has earned the reputation of being a leading distributor of quality, blockbuster movies for cinema, television, pay TV, home video and multi-media, and is proud to be the exclusive theatrical distributor for Warner Bros. in Australia and New Zealand.

### Production

Village Roadshow Pictures produces movies for domestic and international release. With offices at its Australian Gold Coast studios, and in Los Angeles, Village Roadshow Pictures offers an alternative to the more traditional movie-making studios

elsewhere in the world. Box office sensation, *The Matrix*, was produced in partnership with Warner Bros. as part of an agreement to jointly produce up to 20 movies over the next four years as the first production slate.

### Radio

Village Roadshow's wholly-owned Austereo is a market leader in Australian radio, with the country's two top radio networks, Today and Triple M. These networks lead the market, enjoying the biggest share of the lucrative under 40s age group. They form one of the largest radio networks in the world and are expanding internationally with Hitz FM and other stations in Malaysia and plans for further expansion throughout Asia.

### Theme Parks

Warner Bros. Movie World, Sea World and Wet 'n' Wild Water Park, three of Australia's most popular theme parks, form another highly successful division of Village Roadshow, operating in partnership with Warner Bros. Together, they attract millions of Australian and international visitors each year.

**Village Roadshow's unique portfolio of entertainment assets has created a company with a sound earnings profile and excellent opportunities for growth – Village Roadshow, one of the world's great entertainers.**

## Objectives

Village Roadshow's primary aim is the maximisation of long-term shareholder value. Objectives supporting this include:

Maintaining a portfolio of complementary entertainment assets providing a balance of strong cash generation and exceptional growth prospects.

Leading the market in developing entertainment standards and in so doing, become one of the world's most successful cinema exhibition companies.

Consolidating the Group's position as Australia's premier radio operator, while developing profitable opportunities in complementary businesses.

Continuing to be Australia's premier theme park operator.

Expanding the Group's film production activities in a prudent manner.

## Strategies

To achieve the Company's objectives, the following strategies are being pursued:

Selective expansion of the Group's cinema circuit within Australia and chosen international markets. The focus is on quality sites, an ability to deliver rapid investment payback and reaching critical mass in our chosen markets.

Utilising Austereo's proven marketing and market research expertise to selectively expand the Group's operations into complementary businesses such as direct marketing.

Increase theme park attendance through innovative marketing strategies in both Australia and new and growing markets overseas.

Continue investigating complementary entertainment opportunities, particularly analogous online businesses.

Maximise project opportunities and share investment risks through the formation and nurturing of strong strategic alliances and partnerships.

Development of a long-term IT strategic plan to effectively position the Group in the online economy.

Actively manage the Group's portfolio of assets through:

- Divesting non-core activities.
- Enhancing the efficiency of existing businesses through improved management structures and increased financial accountability.
- Further exploiting the synergies inherent in the portfolio.

## Highlights

Increased cinema circuit by 416 screens and 85 sites since the last annual report, bringing the total number of screens globally to 1,453 at 227 sites.

Opened major destination cinemas in Buenos Aires, Argentina, including Recoleta; and an 18 screen complex in Magliana in Rome, Italy.

Moved to full ownership of the Group's German cinema circuit (50 screens in six sites).

Created a new joint venture in New Zealand with the merger of the Village Force and Hoyts cinema assets.

In partnership with Warner Bros., produced and released the first three movies under our partnership agreement, including the blockbuster *The Matrix*.

Village Roadshow's Austereo strengthened its position as Australia's leading radio network capturing around 50% of all listeners in the 18 to 40 age demographic.

Introduced Shareholder Discount Plan. Continued to sharpen our focus on entertainment:

- Sold Laguna Quays Resort.
- Sold Yoram Gross animation studios.
- Sold television production business.
- Sold remaining holding and management rights in Village Entertainment Property Trust.

# Summary of Major Business Units



Recoleta, Argentina



You've Got Mail



Three Kings



Triple M and Today Networks



3 Park Super Pass

## Cinema Exhibition

Country	Brand	Sites*	Screens*
Australia	Village**	55	453
	Palace	18	52
Austria	Village	1	8
Argentina	Village	6	65
China	Golden Cinemas	1	4
Fiji	Village	2	10
France	Village	1	1
Germany	Village	6	50
Greece	Village	3	24
Hong Kong	Golden Village	3	19
	Golden Harvest	5	10
Hungary	Hollywood Cinemas	3	26
India	Priya Village Roadshow	1	4
Italy	Warner Village	6	60
Korea	CJ Golden Village	1	11
	Tanjong Golden Village	6	44
	Golden Screens	35	83
New Zealand	Village Hoyts	19	122
	Village Rialto	5	17
Singapore	Golden Village	8	58
Taiwan	Warner Village	1	17
Thailand	Entertain Golden Village	10	80
	Mongkol Golden Harvest	7	13
UK	Warner Village	24	222
<b>Total</b>		<b>227</b>	<b>1,453</b>

\* As at 23 September 1999.

\*\* Includes Greater Union and Birch, Carroll & Coyle branded joint venture locations.

## Distribution

Region	Brand
Australasia	Roadshow Film Distributors
	Roadshow Entertainment
	Roadshow Television
Greece	Warner Village Film Distributors Greece
Singapore	Golden Village Distribution
Asia	Golden Harvest distributes across several Asian territories including Hong Kong, and Chinese communities in other parts of the world.

## Production

Country	Brand
USA	Village Roadshow Pictures
Australia	Village Roadshow Pictures
	Warner Roadshow Movie World Studios

## Radio

City/Country	Brand
Sydney	2DayFM
	Triple M
Melbourne	FoxFM
	Triple M
Adelaide	SA FM
	Triple M
Brisbane	B105FM
	Triple M
Perth	PMFM
	94.5 FM
Newcastle	KOFM
	NXFM
Canberra	FM104.7
	Mix 106.3
Malaysia	Hitz FM
	Mix FM
	Light & Easy
	Era
	My FM

## Theme Parks

Country	Brand
Australia	Warner Bros. Movie World
	Sea World
	Wet 'n' Wild Water Park
	Sea World Nara Resort



# Financial Highlights

	1999	1998	
	\$000	\$000	% Change
Sales revenue	617,256	441,664	39.8
EBITDA attributable to members	165,086	138,788	18.9
Operating profit after tax attributable to members	27,170	70,066	(61.2)
Operating profit after tax pre abnormalities attributable to members	75,418	68,126	10.7
Total shareholders' equity	1,017,225	938,188	8.4
Total dividends	51,068	48,499	5.3
Total earnings per share – pre abnormalities (total shares)	17.33c	16.24c	6.7
Net tangible assets per share (total shares)	\$2.00	\$2.13	(6.1)

In 1998/99, Village Roadshow reported an operating profit after tax and before abnormalities of \$75.4 million, a 10.7% increase over the previous year. With an absence of quality movie releases affecting cinema attendances and the Asian crisis continuing to dampen theme park visitations, the Group's result was highly creditable.

Importantly, the Group's underlying business strengthened over the year with EBITDA increasing 18.9% over the year and net operating cash flows increasing by 90%.

Sales revenue increased substantially, mostly due to the first time consolidation of the German and Singapore exhibition circuits and the Golden Harvest Group. Excluding the impact of this change, sales revenue still increased 11%.

Through the year the Group continued to sharpen its focus on its core businesses. As a result of these efforts, the Group booked an abnormal loss of \$48.2 million. These items were classed as abnormal due to their size and non-recurring nature and principally involved writing down the carrying value of selected non-core assets. Profit after tax and abnormal items for the year was \$27.2 million, a 61% decline over the previous year.

The fortunes of the five main divisions of the Group were mixed for the 1999 financial year.

## Exhibition

Despite a weak first half driven by poor cinema product, this division recovered in the final quarter to contribute \$14.7 million to operating profit before abnormalities. Although net profit for the division was lower than the previous year, underlying returns as measured by EBITDA improved 9.2% as the benefits of the Group's international cinema expansion began to emerge. Higher amortisation expenses from capitalised development costs eroded the bottom line. Increasing cinema attendances across all territories are now becoming evident.

## Distribution

The distribution division had a solid year achieving the highest market share of theatrical distribution in Australasia. Video rental also recorded a good year capturing a 25% market share.

## Production

With the first movies from the joint venture with Warner Bros. completed, this division is now beginning to generate solid returns. The profit contribution from this division increased 58% over the prior year.

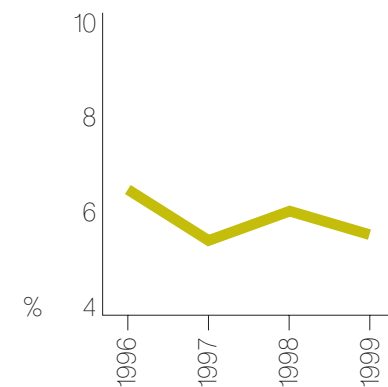
## Radio

This division had a record year with profit increasing 19%. The strong market position of Austereo's radio networks has enabled this division to be a significant cash generator for the Group.

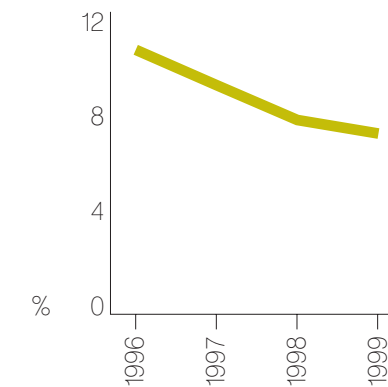
## Theme Parks

Profits declined slightly during the period, mostly due to inclement weather on the Gold Coast and weak offshore attendances that are only just beginning to recover from the Asian crisis. Over the year this division contributed \$8.2 million to the Group's bottom line. With the sale of Laguna Quays and Daydream Island Resorts, the returns from this division should improve in the current year.

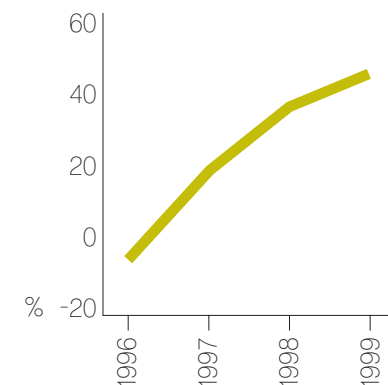
Return on assets (pre abnormalities)



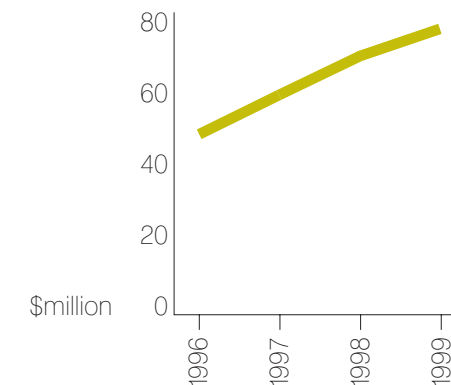
Return on average shareholders' equity (pre abnormalities)



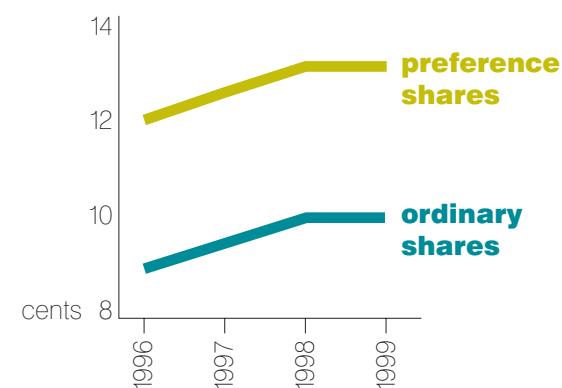
Gearing



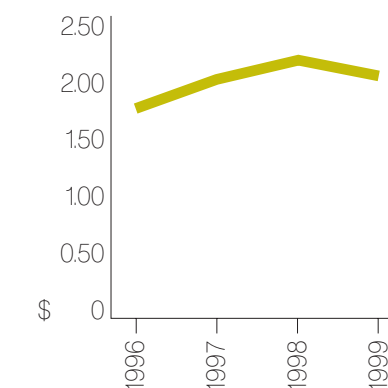
Operating profit after tax pre abnormalities attributable to members



Dividends per share



Net tangible assets per share (total shares)



# Ten Year Financial Summary

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
<b>Operating Results</b> (\$000)										
Sales revenue	617,256	441,664	392,570	297,119	246,615	153,014	72,846	36,397	30,369	13,140
EBITDA pre abnormals attributable to members	165,086	138,788	98,223	77,392	60,043	37,824	23,461	16,545	8,670	5,205
EBIT pre abnormals attributable to members	115,445	108,659	67,232	56,037	47,298	28,997	18,052	12,408	6,038	3,626
Net interest expense/(credit)	25,010	23,981	909	1,938	(1,101)	4,946	2,681	3,355	495	(23)
Tax expense/(credit) on ordinary earnings	10,493	12,697	8,293	6,610	10,399	2,130	5,220	1,807	1,273	(20)
Operating profit after tax pre abnormals attributable to members	75,418	68,126	58,030	47,489	38,000	21,921	10,151	7,247	4,270	3,669
Total dividends declared (total shares)	51,068	48,499	44,404	30,452	24,242	11,283	5,947	4,279	2,506	911
<b>Selected Balance Sheet Items</b> (\$000)										
Total shareholders' equity	1,017,225	938,188	830,202	754,999	479,590	198,529	127,332	81,679	48,422	42,108
Net borrowings	388,839	270,293	344,214	(106,159)	18,751	82,745	10,791	6,244	53,747	39,706
Funds employed	1,515,883	1,368,574	1,174,416	648,840	498,341	281,274	138,123	87,923	102,169	81,814
Total assets	1,954,429	1,792,681	1,482,496	1,126,436	775,851	442,052	328,934	157,850	132,707	93,181
<b>Other Major Items</b> (\$000)										
Capital expenditure	211,851	107,382	310,438	161,075	95,717	35,460	40,699	4,207	28,972	N/A
Depreciation and amortisation excluding production amortisation	49,641	30,129	30,991	21,355	12,745	8,827	5,409	4,136	2,632	1,579
<b>Ratios</b>										
Return on average total shareholders' equity (%)	7.17	7.70	9.09	10.48	12.67	13.45	9.71	11.14	9.29	9.68
EBIT/average funds employed (%)	8.00	8.55	7.37	9.77	12.13	13.83	15.97	13.06	6.56	4.96
Net borrowings/total shareholders' equity (%)	38.23	28.81	41.46	(14.06)	3.91	41.68	8.47	7.64	111.00	94.30
Interest cover (times)	3.24	3.37	5.04	4.60	3.88	4.46	6.03	2.11	3.75	2.35
<b>Per Share Calculations</b>										
Total earnings per share pre abnormals (cents per share)	17.33	16.24	15.18	14.10	14.66	10.72	6.11	5.91	4.46	4.14
Total earnings per share inclusive of abnormals (cents per share)	6.24	16.70	15.74	14.10	14.66	10.72	6.69	6.38	4.46	4.14
Dividends - ordinary shares (cents per share)	10.00	10.00	9.50	9.00	7.00	5.00	3.00	3.00	3.00	1.00
Dividends - preference shares (cents per share)	13.00	13.00	12.50	12.00	10.00	6.00	N/A	N/A	N/A	N/A
Net tangible assets (\$ per share)	2.00	2.13	1.97	1.73	1.34	0.85	0.64	0.53	0.42	0.39
<b>Accumulation Index - Ordinary Shares</b> (index base 1,000 as at June 1990)										
	7,448	8,877	12,026	13,344	9,678	6,593	4,827	2,753	1,276	1,000

# Chairman's Report

With its established expertise in the entertainment sector and its network of global links and alliances, Village Roadshow is well placed to take a strong position in emerging opportunities as we enter the 21st Century.

The sound results of the past year have again emphasised the value of the Company's balanced diversification within our core business of entertainment.

In a period when a hiatus in the run of hit movies caused a temporary slowdown in cinema attendance, and when Asia's economic slump was affecting theme park returns, the Company was able to maintain its earnings through the good performance of other divisions.

Radio in particular, under the leadership of Peter Harvie and Brad March, recorded solid improvements in what was a challenging and very competitive year. Our film production division, Village Roadshow Pictures, expertly guided by Bruce Berman and his team, also had significant successes with films like *Analyze This* and *The Matrix*. Other divisions contributed in line with expectations, which were moderated by the ripple effect of lower box office results.

I am pleased on behalf of your Board to report, as a net result of these factors, an operating profit after tax but before abnormals of \$75.4 million compared with \$68.1 million the previous year. An increase of nearly 11%.

This result should generate solid confidence that Village Roadshow can maintain the upward path in earnings that has characterised its performance over the past decade.

The reason is that despite the abnormal write-offs for (primarily) Resorts, Leisure and Warner Bros. Studio Stores, the underlying traditional businesses of the Company are strongly profitable and positioned for growth.

We also take confidence in the fact that there were elements of the 1998/99 business environment that we would not expect to see repeated in the coming year. Cinema attendances, which had shown a healthy 7.7% growth in 1997/98, proved disappointingly soft in 1998/99 as the industry endured an unusually prolonged shortage of big-drawcard films. Nevertheless, that the Company was able to maintain and marginally improve on last year's operating profit result is a testament to the ability of management and the deliberately planned balance of the Company's main businesses in cinema exhibition, distribution, production, radio and theme parks. These results, given the circumstances, serve to reinforce our confidence in the future. This point should not be lost on anyone.

Moreover, the release of the high profile *Star Wars* and *Austin Powers* films in the closing month of this last financial year saw patronage climbing back to previous high levels, reaffirming the public's immense appetite for filmgoing whenever the right product is available. A shortage of crowd-pulling product from all major producers, such as we experienced early in the past year, is not unprecedented in the industry but is a relative rarity. We would therefore expect cinema revenue to be stronger in the coming year in line with historic trends.

Addressing the outlook for the year ahead, we see positive signs in most key areas.

## Exhibition

In addition to resumed attendance growth from our Australian sites we can look forward to increasing contributions from offshore where our international investments in cinema exhibition are beginning to show their predicted returns. The United Kingdom, Hungary, Argentina and Korea are performing strongly and there is tangible evidence of a recovery in Thailand and other Asian centres. Unfortunately, growth in Hong Kong and Malaysia is still constrained by the widespread 'piracy' which sees new release product in the cinemas having to compete with cheap, illegal videotape and DVD copies. The governments of these countries have yet to come to grips properly with this issue.

Clearly, operating in a wide range of markets adds some complexity to our exhibition business, but we believe that in the long term such challenges are more than balanced by the higher potential growth and greater diversity in our income streams. Accordingly, we remain committed to a staged and measured development of our global operations in cinema exhibition.

## Theme Parks

A strengthening Japanese and Asian recovery would also see an upturn in Australian tourism, with positive consequences for our theme parks. Stringent cost control programs, initiated in response to the Asia-led slowdown in tourism, have left these operations well placed to earn solid returns as tourism resumes its upward path. We are seeing the early and encouraging signs of growth in a number of Asian markets. In the meantime, domestic Australian tourism has grown strongly over the last year.

## Radio

The success of Village Roadshow's Austereo in the highly competitive Australian radio market remains an industry phenomenon. The group leads its chosen under-40 market segment and continues to exhibit revenue and ratings growth. The strength of the management team and the breadth of creative talent give us confidence that it will continue to do well in a competitive environment.

## Film Production

Our production division's successes are building a reputation as one of the hottest studios in the industry. This breeds confidence with those investing in film and should be reflected in increased opportunities in the coming year. Together with the pipeline of earnings from current releases, the growth prospects for this business remain strong.

## Village Online

An emerging and popular business opportunity but one in which your Company has been active for some years. *The Village* website was one of the pioneering and most popular sites in Australia and the unique nature of our cinema, film, radio and theme park assets give an equally unique content richness which can form strong foundations in this area.

We are expanding our resource here to give Village Roadshow strong growth opportunities in this exponentially expanding area of commerce into the new millennium. At the same time, Village Online has great potential to strengthen revenue streams in other divisions of the Company. This internet investment is consistent with the Board's views on organic and synergistic progression in traditional or core businesses. It is in fact an outgrowth based on the very solid foundation of our unique entertainment assets.

## Distribution

Roadshow Film Distributors and Roadshow Entertainment continue to perform soundly and to hold their strong market positions.

## Strategic goals

Your Board's primary objective is to generate increased shareholder value in the form of both long term dividend flows and a higher share price. Our strategy to create such growth, while preserving maximum security for shareholders, has three key strands:

- Balanced diversification within the entertainment sector, our area of core expertise
- Shared risk, particularly when operating outside Australia
- Forging strategic alliances

This approach allows us to explore new markets and opportunities, positioning the Company to capitalise on profitable trends while minimising risk to shareholders. It has both underpinned our steady growth over the past decade and allowed us to weather adverse conditions in some sectors with no loss of overall Group earnings.

With many indicators suggesting a more positive global outlook, our astutely hedged international investments represent both a major shareholder asset and a revenue growth source.

## Asset sales

Your Board's growth strategy for the Company is accompanied by a continued review of all operations and the sale of non-core or low prospect assets. In the past year, this has included genuine progress on a number of fronts.

At the time of writing (September 1999) your Company has sold its interests in Yoram Gross Animation, Village Roadshow Television, Laguna Quays and the Village Entertainment Property Trust. We are in the process of concluding sales for both Warner Bros. Studio Stores and Daydream Island Resort.

The entertainment sector worldwide is one of continually changing tastes and technologies and only a company willing to explore all opportunities presented by this can maintain market leadership. Importantly, your Board rigorously monitors all new ventures and, as we have demonstrated this year, is quick to act if predicted market growth does not materialise.

## A new millennium

With its established expertise in the entertainment sector and its network of global links and alliances, Village Roadshow is well placed to take a strong position in emerging opportunities as we enter the 21st Century.

Our capacity to take advantage of new opportunities, when they arise, will be greatly strengthened by solid cash flows from existing operations and our international cinema portfolio. Your Board is committed to increasing shareholder value. Your Village Roadshow, has a strong portfolio of entertainment assets. We believe shareholders can embrace the new millennium with soundly based optimism in the Company's prospects.



John R Kirby  
Chairman



Excitement *is* the product; all else is but a tool to that end. A glance at the year's results from Village Roadshow shows that, properly executed, this age-old maxim still translates into strong revenue flows and powerful balance sheet assets.

One of Village Roadshow's greatest assets does not appear on the balance sheet. It is our deep understanding of one of the fundamentals of our industry, the art of showmanship.

There is a truism that has been demonstrated over the years by great entertainment entrepreneurs, whether it be Steven Spielberg, Sam Goldwyn or P T Barnum: excitement *is* the product; all else is but a tool to that end.

A glance at the year's results from Village Roadshow shows that, properly executed, this age-old maxim still translates into strong revenue flows and powerful balance sheet assets.

The divisions of our Company that have enjoyed greatest success this year, radio and film production, are great exponents of that philosophy. Other divisions, like theme parks, distribution and cinema exhibition, have exploited this truism to weather unexpectedly difficult circumstances.

Films like *The Matrix* and *Deep Blue Sea* were not only quality product but benefited from strong pre-publicity and from tours and massive media exposure by the stars, particularly Keanu Reeves and Carrie-Anne Moss. This was showmanship, the old Hollywood excitement machine in modern dress. It was jointly orchestrated by our production and distribution arms—and the added box office returns flowed not only to them but also to our cinemas.

With a likely eight, and maybe more, films scheduled for production in the coming year and a probable 50 titles to be handled by our distribution arm, it is clear that our ability to add magic to the entertainment product is recognised as a real and tangible asset.

Our radio division, Austereo, is an equally impressive example: in a medium where volatility and audience mobility are more common than stability, Austereo has been able to keep a firm grip on its target market. In every Australian capital, almost half of all listeners aged under 40 are tuned to the Today or Triple M networks operated by Austereo.

This audience loyalty is not something passive. It is fuelled and fostered every hour of every day by network and station management, both in promotions and in content.

Their inherent grasp of the principles of showmanship is illustrated by the fact that so many of the network promotions have become media events in their own right, picked up not only by Australian press and TV (generating massive publicity for the stations) but even internationally.

Examples include the *House from Hell* promotion, built around incompatible house-mates, which was seized upon as a TV show format. The *Two Strangers and a Wedding* promotion made news as far afield as the UK and Europe. *Whirl till you Hurl*, in which participants endure marathon roller-coaster rides, has similarly won national and international attention while the *Big Bang* promotion, in which individuals can win a spectacular sky-show for their own street, is generating media coverage everywhere it occurs. A promotional CD of beer songs sold 250,000 copies. All these are showmanship at its finest.

This core understanding—that an audience's attention is an entertainer's most prized asset - is reflected not only in the choice of high profile on-air personalities (like Eddie McGuire, Andrew Denton and Wendy Harmer) but right through to the tailoring of the commercial product. Austereo works closely with major clients to ensure that advertising not only generates revenues but provides top entertainment value.

Austereo's creative energy has been recognised with awards or finalist placings at the Clio, Golden Stylus and International Broadcasting Awards and at the New York Festival.

The ability to weave an advertiser's message into a high-profile, high energy promotion has earned Austereo close links with major advertisers like Telstra, Diet Coke, Uncle Tobys and Optus. In every case, Austereo can add value to the client's promotion by adding that magical touch of show-biz. It is a truly bankable commodity and one that is reflected in continuing high ratings and revenues.

One of the more recent developments has been closer integration of this remarkable capacity of all the various arms of Village Roadshow to engage and hold the public's attention. Over time, this will give shareholders in the Group a value greater than the sum of individual parts.

Two recent examples provide an indication of this potential:

One is the marketing of our theme parks. The new multi-million dollar *Wild Wild West Adventure Ride* at Warner Bros. Movie World is being jointly promoted with the film that is being distributed by Roadshow. The complete promotional package involves activities at Village cinemas in Australia and New Zealand, on the Austereo radio networks and on video as well as through direct mail.

The parks will not only significantly increase their own audience (and earnings) base, but provide revenue and promotions for other arms of the company.

Similarly, in London a major joint promotion for the three theme parks and the Gold Coast where they are centred, has involved widespread use of Village cinemas as well as TV and direct presentations to travel agents.

That concept is being expanded to allow commercial clients of the Company to similarly harness all its arms—cinema, radio, theme parks, movies and movie themes, video and our direct-marketing interests—to create high-exposure, high-value campaigns. Called MAVIS—for Marketing Austereo Village Integrated Solutions—it will make an increasing contribution to Group earnings in the years ahead.

All the technology and all the resources are, however, but tools whose worth rests on an innate understanding of what it takes to attract, entrance, titillate and even shock an audience. That understanding, inherent in everything the Group does, is our core strength: all our investments are merely vehicles for capitalising on it.

The ability to turn a night at the movies into something more special—to 'sprinkle pixie dust' on the occasion—underlies the creation of our Europa and Gold Class cinemas.

We are continually exploring new electronic technologies for entertainment, for there is little doubt that these will play an ever increasing role in the 21st Century leisure market.

But in a world in which virtual reality and computer-generated special effects offer dazzling new possibilities, we are reminded from time to time that it is not the technology that is critical, but the imagination behind it.

The armoury of technologies and media available to Village Roadshow will continue to grow, as will the size and geographic spread of the resources available to us. But in translating this into earnings, we must never forget that first principle of show-biz: excitement *is* the product.

For us, imaginative marketing or showmanship is not an add-on; it is a core component of the product we create.



Graham W Burke  
Managing Director