

It was a disappointing bottom line, although

underlying returns improved over the year.

# FILM Exhibition

Although underlying returns from cinema exhibition improved over the year, with reported EBITDA rising 16.8 per cent, higher depreciation and amortisation charges, and the underperformance of certain territories, led to a disappointing bottom line.

A key factor has been lower than planned attendances attributable to the year's movies lacking broad appeal, piracy in Asia, and the rising popularity of new technologies, including the Internet, competing for movie-goer dollars.

## RESTRUCTURING PROGRAM

In response to these developments the group has embarked on a major strategic program to ensure the structure of the division continues to align with the economics of the business. Initiatives already undertaken include:

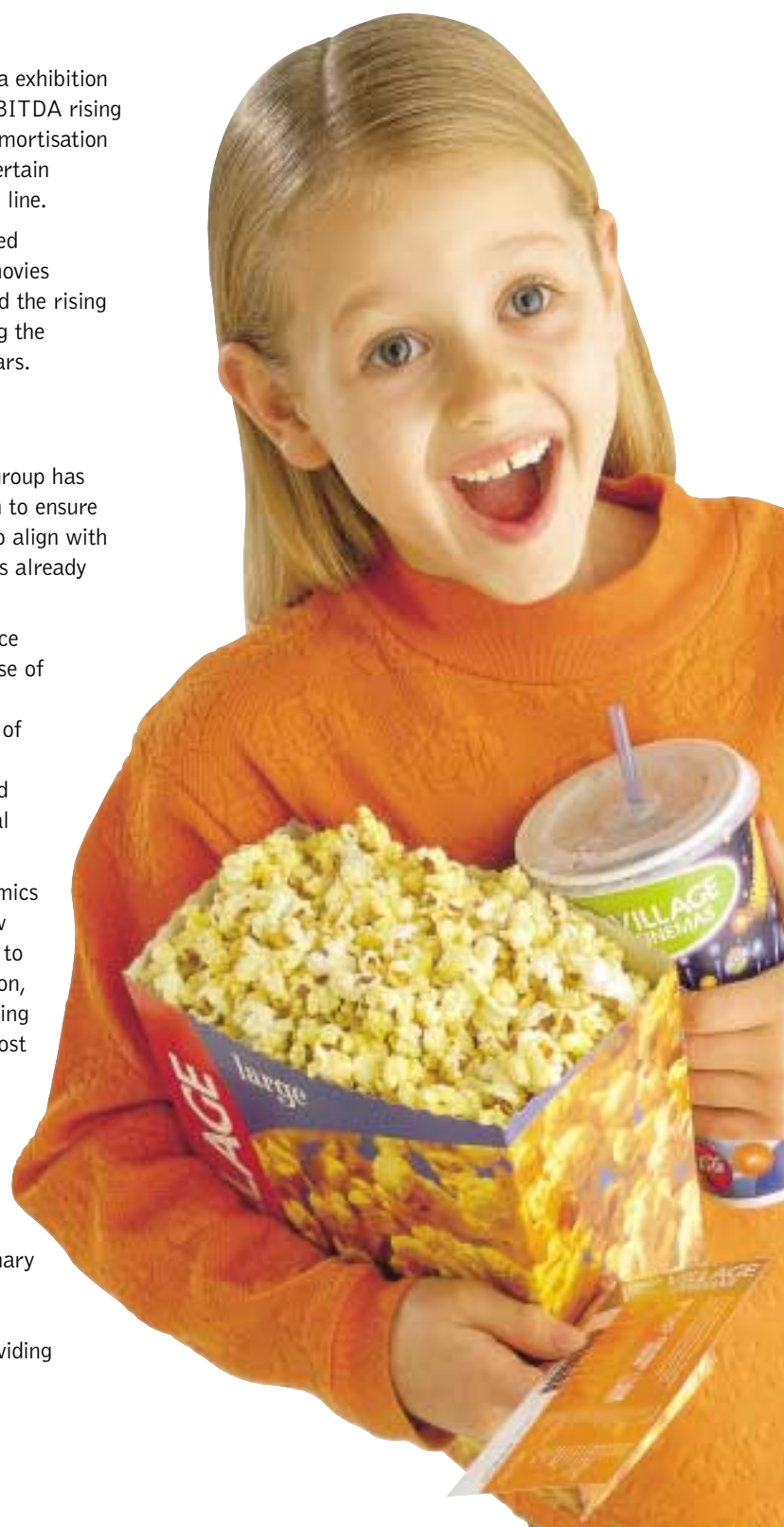
- Restructuring the division's London office and merging its UK operations with those of Warner Bros.
- Selling the division's Hong Kong circuit of 26 screens across six sites.
- Reviewing the development schedule and proceeding only on sites with exceptional return prospects.

These initiatives will improve the economics of the division and every territory is now undertaking a detailed expense analysis to identify further improvements. In addition, a comprehensive marketing review is being undertaken to grow attendances and boost major revenue lines.

Together these initiatives will generate improved returns in the year ahead.

## THE INTERNATIONAL NETWORK

Despite lower overall returns, extraordinary performances recorded in a number of territories emphasised the potential of the company's investment program, providing an important benchmark for success.



Village Cinemas International	Territories and Screens – 30 June 2000					
Village Roadshow and its strategic partners operate an international cinema network of over 1,500 screens in 18 countries. The company is a leader in cinema design, incorporating stadium seating, digital surround sound and advanced projection technologies into all its complexes to create entertainment destinations rather than just cinemas.	Australia	532	Thailand	76	United Kingdom	275
	New Zealand	135	India	5	Switzerland	10
	Fiji	10	Greece	44	Hungary	39
	South Korea	55	Germany	74	Czech Republic (in development)	0
	Taiwan	17	Austria	18		
	Singapore	64	France	11	Argentina	69
	Malaysia	44	Italy	72	Total	1,550

Leading the star performers were Greece and South Korea where Village has succeeded in creating new movie going cultures. State-of-the-art multiplexes have filled a gap in each region's entertainment needs while generating strong returns for the company.

Australia and the United Kingdom, the two largest markets, performed solidly, as did New Zealand, Fiji and India.

Conditions in Germany and Austria have been difficult for all exhibitors with weak attendances and tough competition reducing returns. Village Roadshow's operations have been no exception and all options for improvement, including exit, are being investigated as a priority.

Territories still under development are cash flow positive, but have yet to reach desired levels of profitability. As these territories approach critical mass the spreading of expenses over a larger earnings base will see acceptable returns emerge.

#### INVESTMENT PROGRAM

The group's development program continued with around \$250 million in capital expenditure invested in 289 screens across 31 sites principally in the United Kingdom, South Korea, Australia and Italy.

In coming years the group's development schedule will be scaled down as an optimal mix of sites is approached in newer territories, and opportunities are substantially reduced in more mature markets, including Australia.

#### OUTLOOK

Exhibition remains a highly attractive business for Village Roadshow given its strong cash flow generation and robust growth profile. The company is committed to ensuring the business generates an adequate return on funds employed and exploring untapped opportunities for further growth. In particular greater use of the Internet for ticketing and closer customer relations is being investigated.



Overall earnings lower.

Strong contribution from television,  
music and video distribution.

# FILM Distribution

Considerable success with television and music distribution failed to offset the softer returns from the distribution of movies for theatrical release, leading to lower earnings. Since the number and quality of movies available for release dictates earnings, and 1999/00 saw a comparatively smaller portfolio of films, revenues were down. However *End of Days*, starring Arnold Schwarzenegger, and *Deep Blue Sea*, co-produced by Village Roadshow Pictures and Warner Bros., performed well.

The falling Australian dollar has also impacted earnings as most films acquired from the United States require minimum payments in US dollars. To offset this effect, the division is sourcing more movies from Village Roadshow Pictures, which attract no minimum payments and consequently have no foreign exchange exposure.

## VIDEO AND DVD

Video and DVD sales were buoyant with particularly successful titles such as *The Matrix* and *Austin Powers 2* both shipping record volumes. ABC and BBC offerings also made a strong contribution to earnings with the BBC title *Walking with Dinosaurs* proving to be particularly successful.

A new relationship with Channel 9 has also been successful with their new children's property Hi 5 exceeding expectations. Improved efficiency through a Video and DVD sales joint venture with Warner Bros. added to the result.

DVD sales increased significantly and are expected to be a key driver of growth.



Selection of products distributed by Roadshow Distributors

## MUSIC

Music distribution exceeded all expectations with Savage Garden's second CD *Affirmation* remaining in the number one position for over 6 weeks and achieving considerable international success. Killing Heidi also scored heavily with two top 10 singles and a debut album *Reflector* that spent 7 weeks at the top of the Australian charts.

## TELEVISION

The distribution of movies for TV performed particularly well and is set for another strong year.

## OUTLOOK

The line-up of potential box office hits for the year includes *Space Cowboys*, co-produced by Village Roadshow Pictures; *What Women Want*, starring Mel Gibson and Helen Hunt; and *The Dish* from the Australian producers of *The Castle*.

International Distribution	Key Activities
Roadshow Distributors is a 50/50 joint venture with The Greater Union Organisation, and is one of Australia's leading distributors of movies for cinema, home video, DVD, Pay TV and television.  The division has operations in Australia, New Zealand, Singapore and Greece	Theatrical movie distribution
	Distribution of Videos and DVDs to rental industry and retail outlets
	Distribution of movies for pay and free TV
	Interactive software distribution
	Promotion and distribution of music from selected Australian artists



We aim to become one of the leading independent movie producers in Hollywood,

that vision is now close to reality.

# FILM Production

## Village Roadshow Pictures

Based in Los Angeles, the United States, Village Roadshow Pictures is focused on producing commercially successful movies. In addition to its major co-production partnership the division is responsible for the management of Warner Roadshow Movie World Studios on Australia's Gold Coast.

## The Production Slate

8 Movies completed and released
6 Movies in post production and awaiting release
3 Movies in production
5 Movies in pre production

In 1998 Village Roadshow Pictures embarked on an ambitious strategy to become one of the leading independent movie producers in Hollywood. Two years later that vision is close to reality, and Village Roadshow Pictures is now comparable with, and in many cases superior to, a number of Hollywood's best production houses. Recent successes include:

- The first eight movies released including *Deep Blue Sea*, *Three Kings* and *Space Cowboys* achieved a world-wide box office of over \$1.8 billion in 18 months.
- *The Matrix* earned Oscars in all four categories where it was nominated, against stiff competition from special effects blockbusters including *Star Wars: Episode 1 The Phantom Menace*.
- In the world-wide box office rankings, four of the six movies released in 1999 were in the top 25 for the year.

## EARNINGS

The division's profit for the year to June 2000 was lower than the previous corresponding period. Lower returns are principally due to a smaller number of movies finalised in the year to June 2000 compared with the previous year.

In the past year \$5 million in profits from the success of movies produced, including *The Matrix*, were brought to account.

## OUTLOOK

The prospects of this division were further enhanced with the expansion of its long-term agreement with Warner Bros. for the production and worldwide distribution of theatrical motion pictures. The deal increases the number of movies to be produced over the next five years to 40.

With a significant increase in the number of releases over the next 12 months, and as the business matures, the prospects for the division are encouraging.

Production is now a strong contributor and an exciting business that is not only positioning Village Roadshow as a leading producer, but creating a valuable source of earnings growth.



Clint Eastwood, Director, Producer, Actor, *Space Cowboys*

# Radio

Austereo has emerged as Village Roadshow's strongest performing division, and  
Australia's leading radio network.

In a highly competitive environment, Village Roadshow's Austereo has further built upon its position as Australia's leading radio network, and one of the world's most successful radio businesses.

Strong results were recorded across all sectors of the business, with the division's contribution to profit before tax rising by 36.5 per cent to \$64.6 million.

The August 2000 ACNielsen rating survey revealed that just over 52 per cent of all Australians under 40 living in mainland capital cities listen to Austereo stations. The network's across the board improvement in ratings reflects a strong audience endorsement of the blend of quality on-air talent, music and superior programming.

This remarkable performance in a crowded and highly competitive market has enabled Austereo to increase its share of radio advertising, leading to a 24.1 per cent increase in sales.

## LEVERAGING NEW MEDIA

Internationally, radio has emerged as highly complementary to the Internet. Apart from cyber surfers listening to online stations, radio has become an important driver of Internet traffic. With its under 45 listener demographic closely aligned to the Internet generation, Austereo has grasped the opportunity to leverage this relationship by:

- Encouraging increased use of radio advertising by Internet and related companies through a dedicated online team and innovative marketing initiatives.
- Establishing 24 online stations, with more planned.
- Increasingly aligning promotions with the Internet to drive traffic to Austereo sites.
- Taking a leading role in the development of the group's new media strategy and development of the SCAPE brand.

## EMERGING CORE BUSINESSES

This ability to grasp emerging opportunities has been a major factor in Austereo's success, strengthening the division well into the future. Apart from its strong radio franchises, Austereo has developed related businesses to assist in maintaining its growth momentum. These include:



1 Amanda Blair and James Brayshaw (SAFM); 2 Jamie Dunn and Agro (B105 Brisbane); 3 Andrew Denton and Amanda Keller (Triple M Sydney); 4 Wendy Harmer, Peter Moon and Paul Holmes (2DAYFM Sydney); 5 Eddie McGuire, Dermott Brereton, Sam Newman (Triple M Melbourne); 6 CRUD - Tony Moclair, Guido and Julian Schiller (Triple M Melbourne); 7 Tracey Bartram, Matt Tilley and Jason Stavely (FOX FM Melbourne); 8 Steve Bedwell and Tim Smith (Triple M Melbourne); 9 Brigitte Duclos and Barry Bissell (FOX FM Melbourne)



- The Simon Richards Group (50 per cent owned by Austereo) is amongst the fastest growing direct marketing groups in Australia, and has been the leading logistics operation behind many successful marketing campaigns. The group has expanded offshore with the opening of an agency in Kuala Lumpur. It was also awarded Direct Marketing Agency of the Year in 1999.
- NLD Village Mall Media has had a highly successful year installing mall signage in major shopping centres. Over 700 displays have been installed in Westfield and AMP centres with more in progress. Opportunities outside Australia are being investigated.
- Outside Australia, Austereo and its Malaysian JV partners have, in a short period of time, become the leading Malaysian FM radio networks, comprising five nationwide stations. The venture now commands almost half of all Malaysian commercial radio revenues.

#### OUTLOOK

A major change across all forms of home entertainment in coming years will be the conversion to digital. For radio this will mean improved signal quality and services.

While the full benefits of conversion are some years ahead – consumers must upgrade their receivers – Austereo is well positioned to benefit from this new form of media and is participating in industry Digital Radio Broadcasting trials.

Austereo is poised for another strong performance in 2000/01, although the impressive growth in sales is unlikely to be repeated due to slowing economic activity and increased competition following the issuing of new radio licences. Nevertheless, Austereo's strong market position and emerging growth opportunities will continue to be major earnings contributors.

Austereo	Radio Stations and Core Businesses		
Village Roadshow's Austereo is a market leader in Australian radio with the country's two top performing networks, Today and Triple M. At June 2000 Austereo owned the number 1 and 2 ranked FM stations in every Australian mainland capital city. Outside Australia the division is developing opportunities in Malaysia and India with strategic partners, and is investigating other territories. Further growth opportunities are also being pursued in direct marketing, telemarketing, data base management and outdoor advertising.	Sydney	2DayFM	2 Triple M
	Melbourne	Fox FM	3 Triple M
	Brisbane	B105 FM	4 Triple M
	Adelaide	SAFM	5 Triple M
	Perth	94.5 FM	PMFM
	Newcastle	KOFM	NXFM
	Canberra	FM104.7*	Mix 106.3*
	Simon Richards Group		
	NLD Village Mall Media		
	mcm international		

\*Joint venture with Australian Radio Network



# Theme Parks

Offering the highest standards in family entertainment has earned the theme park division its

consistently strong earnings capacity.

A policy based on the simple philosophy of offering the highest standards in family entertainment has earned the theme park division its consistently strong earnings capacity.

This was highlighted again in 1999/00 with an \$8 million contribution to profit before tax. Although marginally below last year this was a commendable result in a difficult operating period.

Visitor numbers were three per cent higher over the year despite a number of one-off factors that constrained attendances over the period. These included: millennium celebrations and Y2K uncertainties keeping tourists at home over Christmas/New Year; continuing works on the Brisbane/Gold Coast Highway; and the area's wettest weather in 20 years.

## THE PARKS

The growth in visitor numbers highlights the success of the division's innovative marketing approach and the installation of new attractions to maintain strong local and international interest in the parks.

Warner Bros. Movie World's higher attendances were generated through the success of new attractions including the Wild Wild West Ride and Pokemon.

Trading at Sea World was affected by a drop in Japanese tourists, although this has been offset by improved numbers from other Asian markets and Australia. The new Cartoon Network Cartoon Beach children's rides and the 2000 Ski Spectacular were particularly successful at attracting visitors.

Profit at Wet 'n' Wild was flat over the year with higher average spending and a tight control of expenses being offset by weaker attendances.

Sea World Nara resort had a sound result while maintaining its position as one of Australia's leading hotels with the highest occupancy rate of any hotel on the Gold Coast.

## NEW ATTRACTIONS

All parks have exciting attractions in development, and by Christmas Sea World will become the only place in Australia where polar bears can be viewed in a naturalistic environment including a running stream, a deep chilled pool and air conditioned dens.

A new junior Road Runner Roller Coaster is being built at Warner Bros. Movie World to add a new dimension to the park's Looney Tunes Village.

Wet 'n' Wild's position as Australia's largest water park will be consolidated by the new Mammoth River and Mammoth Falls rides, featuring four metre wide slides with six person rafts launching thrillseekers onto two separate rides from a 17.5 metre tower.

These new attractions will generate further interest in the parks and contribute to growing visitor numbers in the year ahead.

### Warner Village Theme Parks

Along with its strategic partners, Warner Bros. and the Sea World Property Trust, Village Roadshow owns and operates Australia's most popular theme parks. Each park offers a full day of family entertainment centered on its core theme. Together the parks entertained almost three million visitors in 1999/00.

### The Parks and Divisions

Warner Bros. Movie World
Sea World
Wet 'n' Wild Water Park
Sea World Nara Resort
Sea World Aviation

New media seeks to maximise

the exciting digital opportunities available to the group.

# New Media

Village Roadshow's interests in new media have been assembled under a single, strategic business unit to ensure the group takes full advantage of the growth potential and efficiency gains offered by new and emerging digital technologies.

The first major initiative undertaken by the division has been the establishment of an online partnership with Network Ten to create Australia's leading digital leisure and entertainment destination called 'SCAPE'.



## SCAPE

SCAPE is designed to meet the leisure and entertainment needs of the 16-39 year old demographic. The site's first offering includes a comprehensive entertainment guide with detailed content on movies, music and match.

Launched in October 2000, SCAPE.com has already generated significant consumer traffic through its broad entertainment and leisure content and unique third generation interface.

A comprehensive loyalty program will create a more efficient marketing link with the partners' online and offline businesses. For Village Roadshow this should lift cinema and theme park attendances, and radio audiences.

The site has also attracted significant interest from major consumer businesses seeking to harness new digital media. Accordingly, SCAPE has signed-up a number of affinity partners who wish to more effectively market to their customers. These partners will become an important revenue source for the business.

## THE COMPETITIVE ADVANTAGE

SCAPE's credentials set it apart from other digital offerings with a competitive advantage based on:

- A focused strategy with guaranteed access to highly sought after content.
- The enormous marketing power of Village Roadshow and Network Ten reaching over 90 per cent of Australians under 40.
- A proven management team.
- An established physical presence providing genuine contact with customers.

As digital becomes the dominant communication and entertainment medium, exciting opportunities in the Internet, cinema, radio and wireless communication will emerge. Accordingly, while it is still in its early development stages, the division is destined to become a valuable contributor to the Village Roadshow Group.

Village New Media	Activities
In early 2000 Village Roadshow established a new media division to maximise its digital and emerging technology opportunities. Apart from establishing viable stand alone businesses, the division has been given the challenge to ensure all businesses are appropriately aligned for the digital age.	SCAPE
	Video on demand
	Internet ticketing
	Digital asset management
	Digital cinema and radio



# Ten Year Financial Summary

	2000	1999
<b>OPERATING RESULTS</b> (\$000)		
Sales revenue	623,790	617,256
Reported EBITDA pre abnormals attributable to members	184,815	165,086
Reported EBIT pre abnormals attributable to members	118,802	115,445
Net interest expense/(credit)	25,987	25,010
Tax expense/(credit) on ordinary earnings	10,750	10,493
Operating profit after tax pre abnormals attributable to members	76,503	75,418
Total dividends declared (total shares)	40,634	51,068
<b>SELECTED BALANCE SHEET ITEMS</b> (\$000)		
Total shareholders' equity	1,029,254	1,017,225
Net borrowings	432,959	388,839
Funds employed	1,497,870	1,515,883
Total assets	1,968,549	1,954,429
<b>OTHER MAJOR ITEMS</b> (\$000)		
Capital expenditure	211,214	211,851
Depreciation and amortisation (excluding production amortisation)	66,013	49,641
<b>RATIOS</b>		
Return on average total shareholders' equity (%)	7.26	7.17
EBIT/average funds employed (%)	7.88	8.00
Net borrowings/total shareholders' equity (%)	42.07	38.23
Interest cover (times)	3.28	3.24
<b>PER SHARE CALCULATIONS</b> (cents)		
Total earnings per share pre abnormals	16.75	17.33
Total earnings per share inclusive of abnormals	16.54	6.24
Dividends – ordinary shares	7.175	10.00
Dividends – preference shares	10.175	13.00
Net tangible assets	208	192
<b>ACCUMULATION INDEX* – ORDINARY SHARES</b>		
(index base 1,000 as at June 1991)	4654	5171
*represents value of \$1,000 invested in June 1991 with all dividends reinvested.		

1998	1997	1996	1995	1994	1993	1992	1991
441,664	392,570	297,119	246,615	153,014	72,846	36,397	30,369
138,788	98,223	77,392	60,043	37,824	23,461	16,545	8,670
108,659	67,232	56,037	47,298	28,997	18,052	12,408	6,038
23,981	909	1,938	(1,101)	4,946	2,681	3,355	495
12,697	8,293	6,610	10,399	2,130	5,220	1,807	1,273
68,126	58,030	47,489	38,000	21,921	10,151	7,247	4,270
48,499	44,404	30,452	24,242	11,283	5,947	4,279	2,506
938,188	830,202	754,999	479,590	198,529	127,332	81,679	48,422
270,293	344,214	(106,159)	18,751	82,745	10,791	6,244	53,747
1,368,574	1,174,416	648,840	498,341	281,274	138,123	87,923	102,169
1,792,681	1,482,496	1,126,436	775,851	442,052	328,934	157,850	132,707
107,382	310,438	161,075	95,717	35,460	40,699	4,207	28,972
30,129	30,991	21,355	12,745	8,827	5,409	4,136	2,632
7.70	9.09	10.48	12.67	13.45	9.71	11.14	9.29
8.55	7.37	9.77	12.13	13.83	15.97	13.06	6.56
28.81	41.46	(14.06)	3.91	41.68	8.47	7.64	111.00
3.37	5.04	4.60	3.88	4.46	6.03	2.11	3.75
16.24	15.18	14.10	14.66	10.72	6.11	5.91	4.46
16.70	15.74	14.10	14.66	10.72	6.69	6.38	4.46
10.00	9.50	8.50	7.00	5.00	3.00	3.00	3.00
13.00	12.50	11.50	10.175	5.74	n/a	n/a	n/a
199	181	167	114	70	57	51	46
5565	8974	10505	6998	5156	3752	2154	1000