

## Directors' Report

Your Directors submit their report for the year ended 30 June 2000.

### Directors

The names of the Directors of the company in office during the financial year and until the date of this report are:

#### Directors:

John R. Kirby (Chairman)

Robert G. Kirby (resigned 22 December 1999)

Graham W. Burke

Peter E. Foo

Peter A. Ziegler (resigned 22 December 1999)

Peter M. Harvie (appointed 20 June 2000)

Julian H. Beale (appointed 20 June 2000)

William J. Conn

P. Terence Jackman (resigned 22 December 1999)

Lord Puttnam (resigned 23 November 1999)

D. Barry Reardon

Charles R. Stern

#### Alternate Directors:

Charles R. Gregson (for Charles R. Stern)

The qualifications, experience and special responsibilities of the directors are disclosed on page 8 of this annual report.

Directors' relevant interests in shares and options of the company and related bodies corporate as at the date of this report were as follows:

John R. Kirby

1,889,605 Ordinary shares in Village Roadshow Corporation Limited

1,467 Preference shares in Village Roadshow Corporation Limited

111,819,817 Ordinary shares in Village Roadshow Limited

6,906 A class preference shares in Village Roadshow Limited

Graham W. Burke

54,972 Ordinary shares in Village Roadshow Corporation Limited

1,746 Preference shares in Village Roadshow Corporation Limited

815,400 A class preference shares in Village Roadshow Limited

Peter M. Harvie

350 Ordinary shares in Village Roadshow Limited

274,140 Ordinary shares in Village Roadshow Limited held under the Executive and Employee Option Plan

200,000 A class preference shares in Village Roadshow Limited held under the Executive Share Plan

48,480 A class preference shares in Village Roadshow Limited held under the Executive and Employee Option Plan

Julian H. Beale

69,190 Ordinary shares in Village Roadshow Limited

72,888 A class preference shares in Village Roadshow Limited

William J. Conn

191,563 Ordinary shares in Village Roadshow Limited

1,191,172 A class preference shares in Village Roadshow Limited

### Principal Activities

The principal activities of the economic entity during the financial year were:

- Cinema Exhibition
- FM Radio Operations
- Film Production
- Theme Park and Resort Operations
- Film and Video Distribution
- Leisure Centre Operations

Other than the sale of the group's interest in Golden Harvest Entertainment (Holdings) Ltd and City Entertainment Corporation Limited and the disposal of the remaining resort operations, there have been no significant changes in the nature of those activities during the year.

### Review of Operations and Results

Operating profit before abnormal items and income tax was \$85.0 million (1999 \$80.6 million) for the year, which is an improvement of 5.5% on the previous year's comparable result. Net abnormal losses before income tax of \$5.7 million (1999 \$65.4 million) were brought to account (refer Note 2).

After minority interests' losses of \$2.2 million (1999 \$5.8 million), the net profit attributable to members of the company was \$75.5 million, an increase of 177.9% compared to the previous year's result. Consolidated sales revenue increased by 1.1% to \$623.8 million.

### Dividends

The Directors recommend payment of an unfranked dividend of 7.175 cents per fully paid ordinary share and an unfranked dividend of 10.175 cents per fully paid A class preference share.

Since the commencement of the financial year, unfranked dividends of \$51.1 million (10 cents per ordinary share and 13 cents per A class preference share) were paid in accordance with the recommendation of the Directors in the previous report.

### Earnings per Share

Basic earnings per share were 21.95 cents (1999 (0.13) cents) and before abnormal items, basic earnings per share were 22.37 cents (1999 20.44 cents). Diluted earnings per share were not materially different to basic earnings per share.

### Significant Changes in State of Affairs

Total shareholders' equity of the economic entity increased by \$12.0 million to \$1,029.3 million during the year. This was attributable to an increase in share capital of \$58.6 million (arising from executive share plan issues, issues from exercise of options, dividend reinvestment plan issues, and the conversion of convertible notes, partially offset by a share buyback), operating profits of \$75.5 million less dividends provided for of \$40.6 million, offset by the impact of the sale of Golden Harvest Entertainment (Holdings) Ltd of \$63.0 million and a foreign currency reserve reduction of \$18.5 million.

The disposal of the Golden Harvest Entertainment (Holdings) Ltd Group and resulting de-consolidation of City Entertainment Corporation Ltd and Dartina Development Ltd group during the year reduced net assets by \$58.1 million.

## Directors' Report

### Events Subsequent to Reporting Date

Other than the following, there have been no material transactions which significantly affect the financial or operational position of the economic entity since the end of the financial year.

On 1 July 2000, the economic entity purchased the remaining interest in the Village Nine Leisure Group from Publishing & Broadcasting Ltd to increase its ownership of the group to 100%.

### Likely Developments and Expected Results

It is anticipated that the growth of the economic entity's diversified businesses will be reflected in the future growth of operating profit before tax.

### Share Options

Details of unissued shares under option, and shares issued as a result of the exercise of options, are set out in Note 18 of the financial report. Details of share and option transactions in relation to Directors of the economic entity are set out in Note 31(d) of the financial report.

### Indemnifying and Insurance of Officers and Auditors

Since the commencement of the financial year, the company has not, in respect of any person who is or has been an officer or auditor of the company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability (including costs and expenses incurred in successfully defending legal proceedings) incurred as an officer or auditor, nor has the company paid or agreed to pay a premium for insurance against any such liabilities incurred as an officer or auditor other than an un-allocated group insurance premium of \$277,098 (1999 \$263,340) which has been paid to insure each of the Directors and secretaries of the company against any liabilities for costs and expenses incurred in defending any legal proceedings arising out of their conduct as officers of the company or related body corporate, other than conduct involving wilful breach of duty.

### Corporate Governance Statement

The statement set out on pages 22 to 24 of this annual report summarises the company's key corporate governance practices that were in place during the financial year.

### Directors' and Executive Officers' Emoluments

The Remuneration Committee of the Board of Directors is responsible for determining compensation arrangements for the Directors. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions (with the assistance of external consultants) with the overall objective of ensuring maximum shareholder benefits from the attraction and retention of a high quality Board. The Managing Director and Finance Director are responsible for determining the compensation arrangements for senior executives using similar criteria.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of Executive Directors' emoluments to the company's financial and operational performance. All Executive Directors and senior executives have the opportunity to participate in the company's bonus scheme where specified criteria are met including criteria relating to profitability, cash flow, share price growth and other performance indicators.

## Directors' Report

### Directors' and Executive Officers' Emoluments (continued)

The income paid or payable, or otherwise made available in respect of the financial year to all Directors of Village Roadshow Limited, directly or indirectly, from the entity or any related party was as follows:

NAME OF DIRECTOR	NOTE	SALARY/ FEES \$	BONUS 1998/99 \$	BONUS 1999/00 \$	SUPER- ANNUATION \$	NON-CASH BENEFITS \$	TERMINATION PAYMENTS \$	TOTAL 1999/00 \$	TOTAL 1998/99 \$
John R. Kirby	4	1,483,467	243,904	277,701	75,283	222,789	–	2,303,144	2,269,664
Robert G. Kirby	2,5	960,218	243,904	–	15,640	232,226	682,749	2,134,737	2,212,554
Graham W. Burke	4	1,483,467	243,904	277,701	75,283	182,837	–	2,263,192	2,215,824
Peter E. Foo		634,650	331,500	–	23,677	111,995	–	1,101,822	898,660
Peter A. Ziegler	2	199,998	421,805	–	–	41,206	–	663,009	3,101,805
Peter M. Harvie	3	573,113	500,000	–	25,000	101,868	–	1,199,981	N/A
Julian H. Beale	3	–	–	–	–	–	–	–	N/A
William J. Conn		126,169	–	–	8,831	1,208	–	136,208	138,000
P. Terence Jackman	2	48,000	–	–	–	–	–	48,000	118,000
Lord Puttnam	1	25,000	–	–	–	–	–	25,000	60,000
D. Barry Reardon		106,500	–	–	–	3,880	–	110,380	38,000
Charles R. Stern		81,000	–	–	–	–	–	81,000	38,000
Charles R. Gregson		–	–	–	–	–	–	–	–

The income paid or payable, or otherwise made available in respect of the financial year, to the five most highly paid executive officers of the Village Roadshow Limited economic entity, directly or indirectly, from the entity or any related party was as follows:

NAME OF EXECUTIVE OFFICER	NOTE	SALARY/ FEES \$	BONUS 1998/99 \$	BONUS 1999/00 \$	SUPER- ANNUATION \$	NON-CASH BENEFITS \$	TERMINATION PAYMENTS \$	TOTAL 1999/00 \$	TOTAL 1998/99 \$
John R. Kirby	4	1,483,467	243,904	277,701	75,283	222,789	–	2,303,144	2,269,664
Graham W. Burke	4	1,483,467	243,904	277,701	75,283	182,837	–	2,263,192	2,215,824
Robert G. Kirby	2,5	960,218	243,904	–	15,640	232,226	682,749	2,134,737	2,212,554
Brad March	6	650,392	448,354	500,000	28,067	40,071	–	1,666,884	938,817
Peter M. Harvie	3	573,113	500,000	–	25,000	101,868	–	1,199,981	N/A

#### Notes:

1. Resigned 23 November 1999
2. Resigned 22 December 1999
3. Appointed 20 June 2000
4. 1998/99 bonus paid during the year, 1999/00 bonus due and payable
5. Payment of long service leave entitlements upon resignation as employee
6. Includes service bonus due and payable

In the opinion of Directors, remuneration paid to Directors and senior executives is considered reasonable and fair having regard to comparable companies and the performance and responsibilities of each respective Director and senior executive. The various share and option interests of all Directors of the company are set out earlier in this Directors' Report.

## Directors' Report

### Directors' Meetings

The following statement sets out the attendance of Directors at formal Directors' meetings and committee of Directors' meetings held during the period the Director held office.

NAME OF DIRECTOR	NUMBER OF MEETINGS HELD WHILE IN OFFICE					NUMBER OF MEETINGS ATTENDED				
	FORMAL	AUDIT	TAXATION	REMUNERATION	NOMINATION	FORMAL	AUDIT	TAXATION	REMUNERATION	NOMINATION
John R. Kirby	8	–	–	–	2	8	–	–	–	2
Robert G. Kirby	5	–	–	–	–	3	–	–	–	–
Graham W. Burke	8	–	–	–	–	7	–	–	–	–
Peter E. Foo	8	–	–	–	–	7	–	–	–	–
Peter A. Ziegler	5	–	3	–	–	5	–	3	–	–
Peter M. Harvie	–	–	–	–	–	–	–	–	–	–
Julian H. Beale	–	–	–	–	–	–	–	–	–	–
William J. Conn	8	2	3	4	2	8	2	3	4	2
P. Terence Jackman	5	1	–	4	2	5	1	–	4	2
Lord Puttnam	5	–	–	–	–	2	–	–	–	–
D. Barry Reardon	8	–	–	4	–	6	–	–	3	–
Charles R. Stern	8	2	3	–	–	2	2	3	–	–
Charles R. Gregson (alt)	1	–	–	–	–	1	–	–	–	–

Informal procedural meetings attended by a minimum quorum of 3 Directors to facilitate document execution and incidental matters, are not included in determining the number of Directors' meetings held.

### Rounding

The amounts contained in this report and in the financial statements have been rounded-off under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors at Melbourne this 25th day of September 2000

Signed

G.W. Burke  
Director

# Board of Directors



**1 JOHN R KIRBY**

Chairman, Executive Director  
Member of the Board since August 1988  
Bachelor of Economics (University of Tasmania). Certified Practising Accountant. Joined Village Roadshow 1971. Formerly Chairman, Village Roadshow Corporation Limited (1994 – 98), the Company's major shareholder. Formerly Chairman, Village Roadshow Limited (1990-94).  
Member Executive Committee  
Chairman Nomination Committee

**2 GRAHAM W BURKE**

Managing Director, Executive Director  
Member of the Board and Managing Director since September 1988  
Attended University of Melbourne. Joined Village Roadshow in 1960. Founded Roadshow Distributors with Roc Kirby in 1968. Four years as original commissioner of Australian Film Commission. Member of Victorian Arts Centre Trust Board (1996-1999). Founded Warner Bros. Movie World with Warner Bros. and managed takeover of Sea World. Founding Director, 2DayFM.  
Member Executive Committee  
Member Remuneration Committee

**3 PETER E FOJ**

Finance Director, Executive Director  
Member of the Board since February 1998  
Bachelor of Economics (LaTrobe University). Joined Village Roadshow in 1978 and has 22 years experience in the management and finance of all facets of the group. Director of Austereo Pty Ltd and all Village Roadshow's subsidiaries.  
Member Executive Committee

**4 PETER M HARVIE**

Executive Director  
Member of the Board since June 2000  
Executive Chairman, Austereo Pty Ltd. Joined Village Roadshow 1993 and has 26 years experience in the advertising, marketing and media fields. Currently serves on the Board of Directors of other Austereo group ventures, including mcm entertainment Pty Ltd, Simon Richards Group and NLD Village Mall Media. Director, Mazda Foundation Limited and Art Exhibitions Australia, and member of steering committee for the Australia Council. Director, Clemenger BBDO from 1975 to 1991. Previously a Councillor of the Museum of Victoria.

**5 JULIAN H BEALE**

Independent Non-Executive Director  
Member of the Board since June 2000  
Bachelor of Engineering from Sydney University and MBA from Harvard University. Entered Federal Parliament of Australia in 1984 and held several Shadow Minister portfolios during 11 years in politics. Managing Director of a resources corporation with interests in petroleum production, pipelines and minerals, 1978 to 1984. Currently manages a portfolio of his own investments and is an advisor to one of Australia's largest private companies.

**6 WILLIAM J CONN**

Independent Non-Executive Director  
Member of the Board since March 1992  
Spent over 30 years in investment banking. Director of Austereo Pty Ltd. Chairman of Grand Hotel Ltd. Chairman of the Foundation for Young Australians. Director of several public and private companies and an Advisor to Merrill Lynch International (Australia) Limited.  
Chairman Audit Committee  
Chairman Remuneration Committee  
Member Nomination Committee

**7 D BARRY REARDON**

Independent Non-Executive Director  
Member of the Board since March 1999  
Over 30 years in the motion picture business. Executive Vice President and Assistant to the President, Paramount Pictures. Executive Vice President, General Cinema Theatres and President, Warner Bros. Distribution (1978-99). Bachelor of Arts, Holy Cross College and MBA, Trinity College. Serves on the boards of various United States companies and organisations.  
Member Audit Committee  
Member Remuneration Committee

**8 CHARLES R STERN**

Non-Executive Director  
Representative of United News & Media  
Member of the Board since December 1998  
Finance Director, United News & Media plc, the international media and information group with interests in television: Anglia Television, Meridian Broadcasting and Channel 5; and newspapers: The Express, The Star and Miller Freeman – the largest trade show and trade magazine company in the world.  
Member Audit Committee

**CHARLES R GREGSON**

(not pictured)  
Alternate Director for Charles Stern and representative of United News & Media  
Board Member of United News & Media plc since 1996. Chief Executive, business information and consumer publishing divisions, United News & Media plc. Joined MAI plc as group solicitor in 1974 and became a director in 1984. Executive chairman of Garban plc. Non-executive Deputy Chairman of Provident Financial plc.

# Corporate Governance

The following statement sets out the company's corporate governance practices that were in place during the financial year.

## PRINCIPLES GOVERNING THE BOARD OF DIRECTORS

The Directors support best practice in corporate governance and recognise the need for the highest standards of ethical behaviour and accountability.

The Board provides leadership and direction to management and agrees with management the aims, strategies and policies of the company. It is also responsible for overall corporate governance.

In maintaining best practice in corporate governance the Board may vary the policies to ensure their appropriateness for the company.

Composition and functioning of the Board is determined in accordance with the following:

- The Board should comprise at least six Directors with an appropriate balance of Executive, Non-executive, Independent and Shareholder Directors, the definitions of which are:
  - Executive Director – in full time employment with the company;
  - Non-executive Director – is not in full time employment with the company but may derive a small proportion of income directly or indirectly from the company by management or consultancy services;
  - Independent Non-executive Director – is not a substantial shareholder and derives minimal or zero income (excluding Directors' Fees) from the company;
  - Shareholder Director – has a prescribed direct, indirect or representative shareholding interest exceeding 5 per cent of the total issued ordinary capital of the company.
- The Board should comprise individuals with an appropriate range of qualifications and specific expertise to enable them to make a contribution to its deliberations.
- The Board shall meet at least six times per year with an agenda designed to ensure all necessary information is available to support informed discussion.

During the financial year the names of the Directors, appointment dates and classification of Directors were as follows:

- The company's Articles of Association sets out the procedures to be followed regarding:
  - the appointment, number and rotation of the Directors;
  - the appointment of the Managing Director; and
  - procedures for Directors' meetings, including voting.
- The Chairman is determined by the Board of Directors.
- The functioning of the Board as a whole and the performance of Directors is reviewed annually by the Chairman and Directors. The resourcing of both the Board and management with respect to the tasks to be performed is also reviewed periodically.
- A formal letter of appointment is provided to incoming Non-executive Directors.
- As at least 50 per cent of the Board comprises Non-executive Directors, the company considers that there is adequate monitoring of the Executive Directors. In addition, informal meetings of Non-executive Directors are held to discuss matters of mutual interest when required.
- All Directors are entitled to seek independent professional advice at the company's expense, subject to the prior approval of the Chairman. Such approval shall not be unreasonably withheld.

In fulfilling its responsibilities the Board is supported by a number of committees. These committees assist the Board review and monitor the financial reports, remuneration, audit and risk management operations and controls.

The functions of the former Taxation Committee, which was established in 1994 to review and monitor all material taxation issues, were resumed by the Board in April 2000.

## AUDIT COMMITTEE

The Board established an Audit Committee in 1991. In accordance with its Terms of Reference, all members are Non-executive Directors with appropriate skills and experience.

The Audit Committee's role is to review with management and the external auditors, all published financial statements and audited statements prior to approval by the Board and their subsequent publication.

In particular the Committee focuses on:

- significant changes in accounting policies and adjustments;
- material judgmental areas and significant audit adjustments; and
- ensuring financial information provided to shareholders is reliable.

Name	Designation	Appointed		Classification
		From	To	
John R. Kirby	Chairman	August 1988		Shareholder, Executive
Robert G. Kirby	Deputy Chairman	August 1988	December 1999	Shareholder, Executive
Graham W. Burke	Managing Director	September 1988		Shareholder, Executive
Peter E. Foo	Finance Director	February 1998		Executive
Peter A. Ziegler	Executive Director	March 1998	December 1999	Executive
Peter M. Harvie	Executive Director	June 2000		Executive
Julian H. Beale	Non-executive Director	June 2000		Independent
William J. Conn	Non-executive Director	March 1992		Independent
P. Terence Jackman	Non-executive Director	July 1993	December 1999	Non-executive
Lord David Puttnam	Non-executive Director	June 1989	November 1999	Independent
D. Barry Reardon	Non-executive Director	March 1999		Independent
Charles R. Stern	Non-executive Director	December 1998		Shareholder

The key responsibilities of the Committee include:

- reviewing the nomination, performance and competence of external auditors;
- reviewing preliminary announcements prior to publication;
- monitoring and ensuring compliance with statutory and Australian Stock Exchange requirements for financial reporting;
- ensuring the effectiveness of internal control procedures;
- liaising with external auditors and ensuring that the annual statutory audit and the half yearly review are conducted effectively;
- disclosure standards;
- risk management procedures; and
- reviewing the code of conduct and compliance with corporate governance policies, recommending to the Board when changes or additions may be required.

During the financial year the Audit Committee comprised the following members with their appointment dates:

William J. Conn	August 1992	Chairman
P. Terence Jackman	March 1994 to December 1999	
Charles R. Stern	March 1999	
D. Barry Reardon	April 2000	

The Audit Committee invites the audit partner and senior company executives to meetings as required.

The Audit Committee meets at least twice per year and the minutes are provided to all Directors.

#### **NOMINATION COMMITTEE**

The company established a Nomination Committee in 1998. Prior to this, membership of and nominations to the Board had been the exclusive responsibility of the Board and subject to the approval of shareholders in general meeting.

In accordance with its Terms of Reference, the Nomination Committee includes the Chairman and a majority of Non-executive Directors.

The role of the Nomination Committee is to:

- monitor the composition of the Board in the light of corporate governance best practice, making recommendations to the full Board.
- review the policy regarding the maximum period of service of Non-executive Directors and their retirement age.

During the financial year the Nomination Committee comprised the following members with their appointment dates:

John R. Kirby	July 1998	Chairman
William J. Conn	July 1998	
P. Terence Jackman	March 1999 to December 1999	
D. Barry Reardon	April 2000	

The Nomination Committee meets at least annually and its minutes are provided to all Directors.

#### **EXECUTIVE COMMITTEE**

In 1990 the Board established an Executive Committee. This committee comprises a mix of Executive Directors and senior company executives and its primary function is to monitor and report on the major risks affecting each business segment and develop strategies to mitigate these

risks, subject to the approval of the Board. The Executive Committee must fully inform the Board on all matters of substance and its key responsibilities include:

- developing the strategic plan encompassing the company's vision, mission and strategies;
- implementation of management operating plans as well as monitoring progress against budget and all significant areas of the business;
- establishing committees to report on environmental issues and health and safety matters;
- reviewing cash flow projections and gearing;
- reviewing the acquisition, and disposal of businesses and assets and approving contracts within defined limits; and
- treasury responsibility including advising the Board on liquidity, currency and interest rate risk and credit policies.

Each year management of the company's various business segments present detailed budget proposals to the Executive Committee for consideration. The final consolidated version is then submitted to the Board each May for approval.

Outside of the annual budgetary process the Executive Committee and various divisional boards of the company's joint ventures have formal authority levels.

During the financial year the Executive Committee comprised the following members:

John R. Kirby	Philip S. Leggo	Tim M. Antonie
Graham W. Burke	Julie E. Raffe	Tony N. Pane
Peter E. Foo	Greg Basser	Simon T. Phillipson

Robert G. Kirby and Peter A. Ziegler resigned from the Committee in December 1999.

The Executive Committee meets frequently, generally weekly.

#### **REMUNERATION COMMITTEE**

The Remuneration Committee of the Board of Directors, which has been in operation since April 1994 and is comprised of a majority of Non-executive Directors in accordance with its Terms of Reference, is responsible for determining compensation arrangements for the Directors. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions (with the assistance of external consultants) with the overall objective of ensuring maximum shareholder benefits from the attraction and retention of a high quality Board. The Managing Director and Finance Director are responsible for determining the compensation arrangements for senior executives using similar criteria.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of Executive Directors' emoluments to the company's financial and operational performance. All Executive Directors and senior executives have the opportunity to participate in the company's bonus scheme where specified criteria are met including criteria relating to profitability, cash flow, share price growth and other performance indicators.

During the financial year the Remuneration Committee comprised the following members with their appointment dates:

William J. Conn	April 1994	Chairman
P. Terence Jackman	April 1994 to December 1999	
D. Barry Reardon	August 1999	
Graham W. Burke	April 2000	

In addition, senior executives may be invited to meetings to provide input on management performance and salary packages.

The Committee meets at least twice per year and formally reports either verbally or in writing to the Board.

The cash remuneration of Non-executive Directors (being Directors' fees not paid to a person in an Executive capacity) is approved by shareholders in general meeting from time to time.

In addition, the company encourages Executive and Non-executive Directors to hold shares in the company. Subject to shareholder approval, Directors may be invited from time to time to participate in share and option plans offered by the company. The various share and option entitlements of all Directors are set out in the Directors' Report.

#### COMPANY MEETINGS

The company's Articles of Association sets out the procedures to be followed regarding:

- the convening of meetings;
- the form and requirements of the notice;
- Chairman and quorums; and
- voting procedures, proxies, representatives and polls.

The format of resolutions put to meetings of shareholders will be clear, concise and in plain English. Distinctly separate issues will be presented in separate motions and only combined into one resolution where the subject matter requires it to be presented.

Proxy forms will be designed so shareholders can clearly indicate their voting intentions.

The Directors believe, in accordance with the Articles of Association, voting by shareholders should be determined firstly on a show of hands of those present at the meeting, and by poll where requested by shareholders. The Articles of Association set out the circumstances in which a poll may be called by shareholders whether present in person, by proxy or by representative.

All shareholders are entitled to inspect or obtain copies of the company's minutes of shareholders' meetings during normal business hours.

#### CODE OF CONDUCT

The Board insists on the highest ethical standards from all officers and employees and are vigilant to ensure appropriate professional conduct at all times, including:

- insider trading;
- conflict of interest;
- use of market power and pricing practices; and
- the maintenance, quality and safety of goods and services.

All purchases of major consumables are obtained by a periodic competitive tendering process.

All Directors and managers have an obligation to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

All Directors have an obligation to immediately advise the company of changes to their interests in shares, options and debentures, if any, in the company and its associates for reporting to the Australian Stock Exchange.

In addition, Directors are precluded from dealing in securities of the company during the periods 31 December to release of the half year profit announcement and 30 June to the release of the full financial year profit announcement.

Outside those periods, a Director may not deal in securities of the company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the company's securities, whether upwards or downwards. Legal advice will be obtained by the Company Secretary on behalf of the Director where doubt exists.

Upon appointment, all Directors of the company and of the Village Roadshow Group of companies are required to provide a standing notice, updated as appropriate, giving details of the nature and extent of their 'material personal interests' in the affairs of the company and the group. All notices are tabled and recorded in the minutes of each Directors' meeting and entered into a register maintained for that purpose.

#### FINANCIAL RISK MANAGEMENT

The company's formal Financial Risk Management Policy includes the recognition, measurement and management of interest rate risks, foreign exchange exposures, hedging, credit risk, liquidity levels and monitoring of economic and financial conditions.

The company's financial structure includes a number of covenants to its banks to which it must adhere requiring a structured level of monitoring and management to ensure compliance.

The Financial Risk Management Policy was developed by an independent consultant in conjunction with management. The parameters of the Policy are periodically reviewed by the Audit Committee to ensure it addresses current issues.

In addition the Audit Committee seeks input from both the company's internal and external auditors on the adequacy of the Policy and the company's compliance.

The Audit Committee reviews and recommends the Financial Risk Management Policy to the Board. The Executive Committee monitors the performance of the company against the Policy guidelines.