



1. 2.

EXHIBITION

OPERATING THE YOUNGEST FLEET OF THEATRES IN SOME OF THE WORLD'S BEST LOCATIONS, THE DIVISION IS UNIQUELY POSITIONED TO REAP THE REWARDS FROM AN EXCITING ARRAY OF PRODUCT SET FOR RELEASE IN THE COMING YEAR.

The past year has been one of the toughest on record for the exhibition division, which has shared the impact of difficult trading conditions with exhibitors worldwide. Tough operating conditions were compounded by competition with the Sydney Olympics in core markets.

The calibre of premium venues throughout the Village circuit has, however, enabled the division to maintain its strong cash flows, with underlying EBITDA increasing 14.2 per cent over the year.

Over 112 million people were entertained across our international circuit during the year. Those attending our cinemas generated a total box office of \$848.5 million and consumed over \$200 million in popcorn, Coca-Cola and other candy bar treats.

The year was one of contrasting halves; a weak first six months being partially

offset by an improvement in admissions in the second half year. Importantly, the improving admission trend has continued into the current financial year, with most territories up on the prior year.

Setting the group apart in these challenging times is our unique locations and outstanding quality of cinemas, as instanced by complexes such as the Jam Factory and Southland in Melbourne, Chermside and Indooroopilly in Brisbane, and Macquarie and Castle Hill in Sydney.

The restructuring program

As reported last year, the division has undertaken a major strategic re-alignment that aims to improve returns significantly. This program is now well advanced, with five territories sold and major efficiency gains achieved, including the realisation of over \$7 million in annual savings.

1. VILLAGE CINEMAS JAM FACTORY – MELBOURNE
2. VILLAGE GOLD CLASS CINEMAS – MELBOURNE
3. WARNER VILLAGE CINEMAS – PLYMOUTH, UK

With its strategic partners, Village operates an international cinema circuit across 13 territories. Incorporating the latest in cinema design, the company is the creator of 'entertainment destinations' not just cinemas.

1,550
SCREENS

\$105.3m
UNDERLYING EBITDA

Future capital expenditures have been scaled back and, after peaking at over \$240 million per annum in 1999/00, cinema capital expenditure eased to just over \$140 million in 2000/01. As the roll-out is completed, these expenditures are anticipated to fall to less than \$50 million in three years.

Revenue enhancement

With approximately 75 per cent of the restructuring program in place, management is now refocussing on the customer to enhance the movie-going habit and build revenues through increased attendances.

Bringing excitement and fashion back to the cinema is the strategy influencing all levels of the organisation. In key territories, a range of innovative marketing campaigns and new affinity programs are in development.

At the local level, cinema managers are being empowered to develop closer grass roots links within their communities to grow the business.

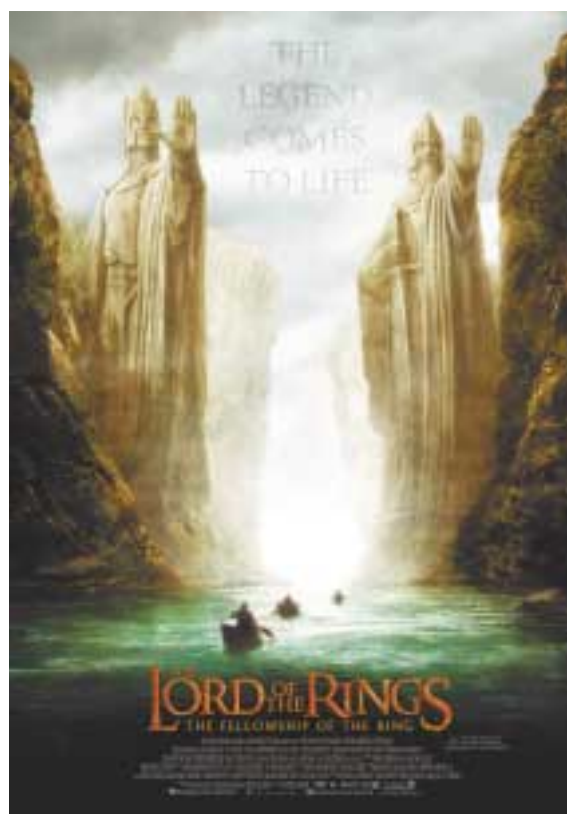
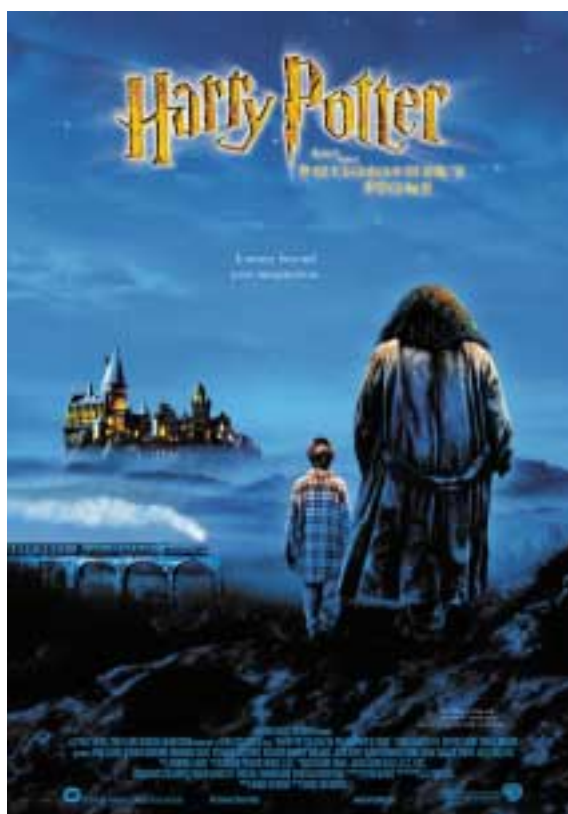
Early signs are very encouraging, with further gains expected in the coming year.

Growth strategy

Although the division's immediate focus is on restoring profitability of the existing circuit, the group has not lost sight of opportunities still available to replicate the success that has been achieved in key territories.

Based on strict financial criteria and rigorous market testing, further cinema development is under way in carefully selected markets, including Italy and Taiwan.





DISTRIBUTION

LED BY HOME ENTERTAINMENT AND TELEVISION AND SUPPORTED BY AN OUTSTANDING MOVIE LIBRARY EXCEEDING 7,000 TITLES, THE DIVISION SIGNIFICANTLY INCREASED ITS CONTRIBUTION OVER THE YEAR.

With its strong core businesses and established position within new distribution mediums, the division recorded a higher result for the year. Robust trading in home entertainment and television drove the division's performance and offset a softer result in theatrical distribution.

Theatrical

As a direct result of its innovative marketing strategies, titles such as *Miss Congeniality*, *Traffic*, *Swordfish* and the art house movie *Chocolat* were particularly successful, considerably exceeding expected returns. The Australian release, *The Dish* was another highlight, with a box office exceeding \$17 million.

The division's performance was, however, directly affected by the weakness of the Australian currency, which subsequently increased the cost of acquiring international movies. To minimise this impact, the division is seeking to acquire more films on terms that have lower up-front costs, while focusing on a more intense acquisition and development strategy for Australian films.

Village has a long and proud history of support for home grown product and, with a number of projects already in development, this tradition will passionately continue.



The division has benefited from the increased output of product from Village Roadshow Pictures during the year, a trend that is set to continue in the year ahead.

Home entertainment

The extraordinary growth of DVDs, combined with a broad library of video titles, helped home entertainment record a strong performance, retaining market leadership in video and DVD rental over the year. Retail activity was similarly successful, boosted by its highly popular children's titles, including *The Wiggles*, *Hi5*, and *Bob the Builder*.

Following the release of highly successful albums during 1999/00, Roadshow Music achieved further success during the past year. Killing Heidi's debut album *Reflector* received four ARIA awards, a talented new band, Aneiki, was signed, and the division acquired the rights to distribute the ABC's children's music.

Television

Roadshow Television reported another successful year, increasing earnings from its core operations, and consolidating its position at the cutting edge of new forms of media.

The division is already a market leader for free to air and pay TV, and is expanding into new distribution channels for pay per view and near video on demand in Australia and New Zealand.

Outlook

This division is set for a successful year, with a promising array of product on the horizon. Titles including Warner Bros.' *Harry Potter and the Philosopher's Stone* and the first movie from the Lord of the Rings Trilogy: *Fellowship of the Ring* are set to boost the box office over the year, with innovative marketing setting new standards in movie promotion.

The release of the movie *Cats & Dogs* is indicative of the approach that is now being adopted. In a tie-up with Uncle Bens – owner of Australia's leading pet food brands "Pedigree" and "Whiskas" – the division dynamically increased awareness of the movie through joint promotions and an integrated marketing plan.

A number of other important initiatives are expected to continue to grow the division's revenue base during the current year, including major music projects and exciting new deals that will better utilise the division's premier movie library.



Roadshow Distributors is the market leader in distribution of movies for cinema, home video, DVD, pay TV and television in Australia/New Zealand and is proud to be the exclusive distributor of Warner Bros. Village also maintains movie distribution operations in Singapore and Greece.

5.8m

VIDEOS/DVD UNITS SOLD

\$5.9m

EBITDA

PRODUCTION

IN A HIT DRIVEN BUSINESS, WE ARE MAKING THE CHOICES THAT WILL BUILD A STRONG COMPANY, WITH PROFITABILITY AND A LIBRARY THAT WILL SERVE US WELL IN THE YEARS AHEAD.



1.



2.



3.

1. OCEAN'S ELEVEN
2. TRAINING DAY
3. THE MAJESTIC
4. MISS CONGENIALITY
5. DON'T SAY A WORD
6. OCEAN'S ELEVEN

Village Roadshow Pictures released nine movies over the financial year, covering a range of budgets and genres. The increase in production and the diversity of titles helping the division grow its earnings for the year. The outstanding success of titles such as *Miss Congeniality* and *Cats & Dogs* offset softer returns from titles such as *Red Planet* and *Exit Wounds*.

Village Roadshow Pictures has now released 21 titles, and by the end of the current financial year will be up to 27, as we build one of the strongest libraries in the industry. With titles such as *The Matrix*, *Deep Blue Sea* and *Miss Congeniality* that just go on earning and earning as they are re-licensed to TV and pay TV, we ultimately expect to see this library provide an ongoing annuity stream for the company in the decades ahead.

In production, Village Roadshow Pictures is being built into a long-term asset for shareholders whose success is attributable to three fundamental strengths:

- A unique understanding of what will sell at the box office. With our circuit of theatres encompassing continental Europe (Italy and Greece), Asia (Singapore, Taiwan and South Korea), Latin America (Argentina) and, of course, the English speaking markets of the United Kingdom and Australia, no one is closer to the pulse of what customers want at the box office. It is this knowledge that sees Village Roadshow enjoying a high rate of success with its productions.
- An inherent understanding of the art of showmanship and marketing. The launch campaigns behind our releases are integral to their success. This is most recently illustrated by the extraordinary and comprehensive campaign behind *Cats & Dogs*, which encompassed extensive third party support.

With its principal co-production partner, Warner Bros., Village Roadshow Pictures is focused on producing commercially successful movies with broad international release and appeal.

OVER \$3 billion
INTERNATIONAL BOX OFFICE

\$36.1m
EBITDA



4.



5.



6.

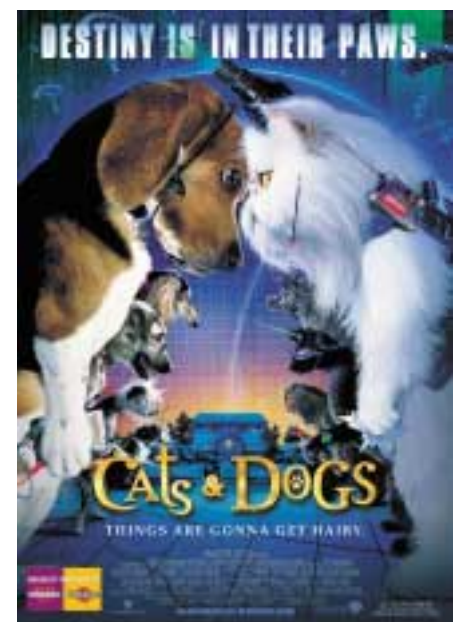
-A disciplined approach to budgets. A key advantage is being able to shoot pictures in Australia, where production costs are not only 30 per cent less than the United States, but where some of the best talent in the world is working behind the cameras. To this end, *Queen of the Damned* was filmed in Melbourne and *Matrix Reloaded* and *Matrix Three* are being shot in Sydney. We also have plans to produce further features at our Warner Roadshow Studios on the Gold Coast.

Behind the success of our production company has been the strong partnership established with Warner Bros., who undoubtedly have the best production, marketing and sales organisation in the industry.

Outlook

Working with our principal partner, Warner Bros, the division will continue to produce around 10 to 12 films per annum.

Our coming year has got off to an outstanding start, with box office successes of *Don't Say A Word* and *Training Day*. In this financial year, we are also expecting to have hit films with *Ocean's Eleven* and *The Majestic*; accordingly, we anticipate a banner year in production. Our 2003 year is poised, with the release of *Matrix Reloaded* in May 2003.





1.

The successful float of Austereo Group Limited was the highlight of the radio division's year. While releasing \$315 million in cash and demonstrating the significant value in this asset, the group has maintained a 57.5 per cent holding and a controlling interest in the newly listed entity.

The division performed well throughout the year, exceeding prospectus targets and increasing profit before tax by 16.0 per cent. This performance was particularly impressive given the slowdown in advertising spending in the latter half of the year and ongoing competition from all forms of media.

While Austereo's performance improved over the year, Village's lower ownership reduced the division's overall contribution to the company.

Ratings

In the final survey of the financial year, Austereo achieved a market share of its chosen under 40 demographic of 56.1 per cent across Australia's mainland capital cities, an increase of more than two percentage points over the prior year. Austereo stations also lead the overall ratings in every city in which they operate.

Driving this ratings success has been the division's strong research-led programming and creative on-air line up.

RADIO

AUSTRALIA'S LEADING RADIO OPERATOR, AUSTEREO GROUP LIMITED, LISTED ON THE AUSTRALIAN STOCK EXCHANGE IN ONE OF THE MOST SUCCESSFUL FLOATS OF 2001. AT THE SAME TIME, THE COMPANY RECORDED AN EXCELLENT YEAR, WITHSTANDING THE SOFTENING IN MEDIA SPENDING TO IMPROVE ITS RATINGS AND EXCEED ITS PROSPECTUS FORECASTS.



2.

1. WENDY HARMER, PAUL HOLMES, PETER MOON - 2DAY FM

2. ANDREW DENTON, AMANDA KELLER - TRIPLE M SYDNEY

3. TIM SMITH, MARGIE BELL, STEVE BEDWELL - TRIPLE M MELBOURNE

4. TRACY BARTRAM, MATT TILLEY, TROY ELLIS - FOX FM

5. MIKEY ROBINS - TRIPLE M SYDNEY

Village has a 57.5 per cent and controlling interest in Austereo Group Limited, operator of Australia's leading radio networks Today and Triple M. In addition to its 14 Australian stations, Austereo has growing radio operations in Malaysia, Greece and the United Kingdom, as well as interests in direct marketing and mall advertising.

56.1%
MARKET SHARE OF
UNDER 40 DEMOGRAPHIC

\$95.9m
EBITDA

Sales

Austereo's unique sales training capability has significantly contributed to the conversion of its leading audience shares into a strong and growing advertising revenue share. Austereo's sales force is recognised as one of the most outstanding among all media.

Marketing and promotions

Austereo has developed one of the world's most consistently inventive promotions teams, whose campaigns continue to attract and retain audiences while strengthening the group's brands.

The Austereo team has pioneered street theatre as a promotional medium, engaging the emotional involvement of its audiences. The Fugitive promotion, which brought city centres to a halt across the country, with crowds of up to 4,000 people, is typical of the penetration and impact achieved.

One of the more exciting promotions the division has planned is Rumba. Scheduled for November 2001 in Sydney and Melbourne, Rumba is an all day music and dance festival, with a line-up of premier international and Australian acts. Headlined with live acts such as Craig David and Vanessa Amorosi, the festival will incorporate fashion parades, on-air promotions, interactive games, its own TV station and a host of day-long activities.

International radio

Austereo's Malaysian joint venture recorded a strong year, increasing its contribution to the division by over 70 per cent. Operating the leading English, Chinese and local Malaysian speaking stations, the nationwide network commands over 60 per cent of the national advertising expenditure on Malaysian radio.

Austereo's success in Malaysia has proven the group's ability in offshore markets and has been the catalyst for pursuing further international opportunities, including moves into the United Kingdom and Greece.

Complementary businesses

Austereo's interests in mcm entertainment, Simon Richards Group and Eye Shop help the company to further penetrate the under 40-year-old audience, and deliver effective advertising and marketing solutions to clients.

While achieving growth in their core operations, the businesses were hit by the slow-down in advertising expenditure, recording a lower contribution for the year.

Outlook

The division's Australian radio operations have maintained both revenue share and audience share in the face of a tight advertising market. This performance, combined with its increasingly diversified income streams, has positioned the company to build on its successful history and aggressively meet the challenges of the year ahead.

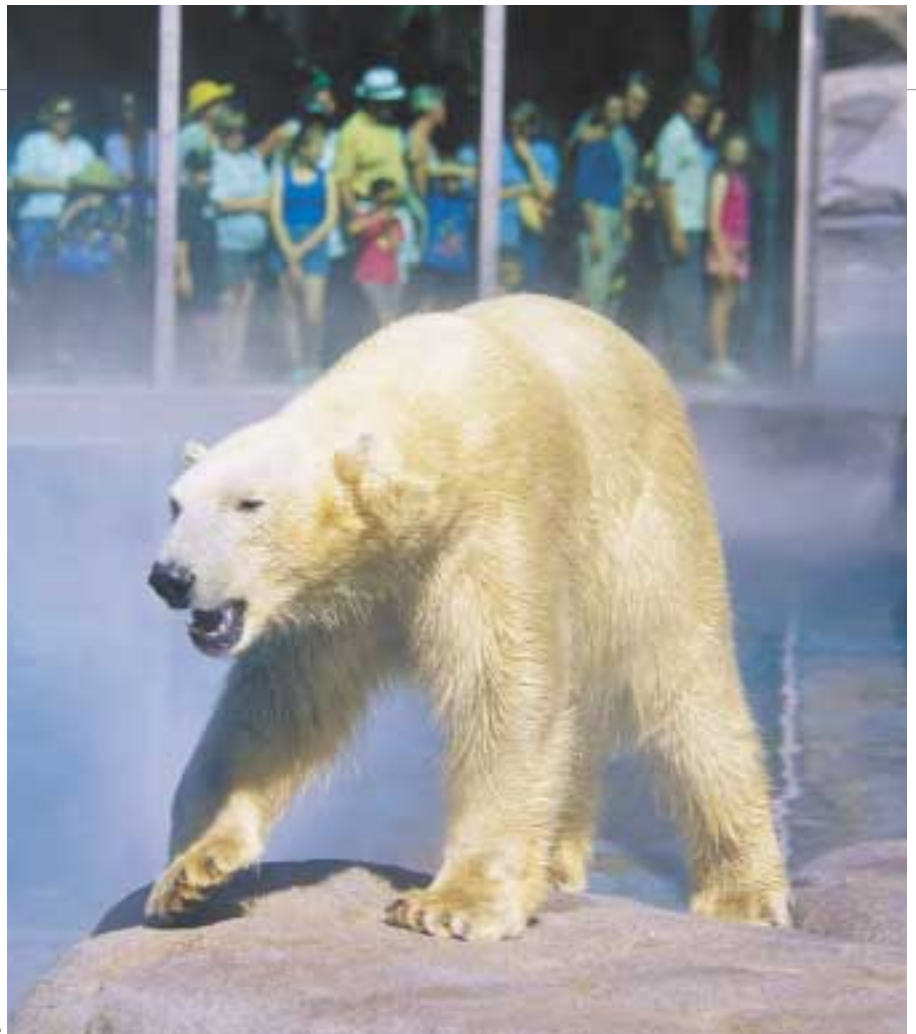


1. NIKKI WEBSTER, ROAD RUNNER ROLLER COASTER, WARNER BROS. MOVIE WORLD
2. POLAR BEARS SHORES, SEA WORLD
3. AERIAL VIEW, SEA WORLD



THEME PARKS

WITHOUT PEER IN THIS PART OF THE WORLD, WARNER VILLAGE THEME PARKS HAVE CAPTURED THE HEARTS AND IMAGINATION OF VISITORS FOR OVER A DECADE. EXCITING NEW ATTRACTIONS WILL ADD A FURTHER DIMENSION TO THE PARKS' OUTSTANDING ASSETS.





3.

Along with its strategic partners, Warner Bros. and Sea World Property Trust, Village Roadshow owns and operates Warner Bros. Movie World, Sea World and Wet 'n' Wild Water World on Australia's Gold Coast.

NEW ATTRACTIONS

2 1 2

POLAR BEARS ROAD RUNNER MAMMOTH SLIDES
ROLLER COASTER

\$20.2m

EBITDA

The arrival of Sea World's polar bears was the highlight of a successful year, which saw over three million visits to the group's theme parks.

The bears were a major driver of revenues for the division and illustrate how the parks continue to evolve and grow, refreshing the interest of local visitors as well as domestic and international tourists.

The attraction opened on 26 December 2000, to become an immediate draw card for Australian visitors, contributing to the division's strong second half. Apart from pushing Sea World attendances 8 per cent higher, the success of the bears was recognised by the industry, with Sea World claiming the top attraction and the best marketing campaign awards in the 2001 Queensland Tourism Awards.

Benefiting from its 10-year anniversary celebrations, the new Road Runner Roller Coaster and a firm control of costs, Warner Bros. Movie World posted a sound performance, despite being marginally down in attendances.

In the year ahead, the exciting Warner Bros. film slate will provide a further boost to Movie World. The much anticipated *Harry Potter* and the upcoming *Scooby Doo* movies have prompted a massive re-theming of two key areas of the park that will add another dimension to its broad family offering.

Attendances at Wet 'n' Wild increased a staggering 34 per cent over the year, assisted by the opening of the Mammoth Falls rides in September 2000 – a major success in increasing the appeal and capacity of the park.

Sea World Nara managed to sustain its strong occupancy levels for the year.

Domestic tourism drove improved attendances across the parks. The fall in the Australian dollar, re-opening of the Gold Coast highway and an aggressive marketing campaign all contributed to this improvement.

International attendances, on the other hand, were little changed over the year. Improved figures from China, South Korea and other emerging markets were insufficient to offset the continuing weakness of the Japan and Taiwan tourist markets.

In response to this trend, the division commissioned a report from KPMG, which highlighted the changing demands of international visitors to Australia. The report's recommendations have been incorporated into the division's marketing strategy.

Outlook

Recent world events and the collapse of one of Australia's major airlines have created a degree of uncertainty across the parks. While the prospect of increased airfares could see fewer tourists on the Gold Coast, this could be more than offset by Australians choosing to holiday at home and international tourists redirecting their travel to Australia to avoid the United States and other potential hot spots.

Our parks are world-class facilities, and the long-term outlook for the division is strong, particularly given the exciting attractions in development and the broad appeal of the Gold Coast as a holiday destination.

	2001	2000	1999
OPERATING RESULTS (\$000) from continuing operations only in 2000 and 2001			
Sales revenue	660,317	592,927	617,256
EBITDA before significant/abnormal items	188,269	187,929	161,145
EBIT before significant/abnormal items	146,850	128,390	111,504
Net interest expense/(credit)	26,577	25,740	25,010
Tax expense/(credit) on ordinary earnings	23,110	10,751	10,493
Net profit excluding significant/abnormal items attributable to members	73,634	85,963	75,418
Total dividends declared (ordinary and preference)	41,379	40,634	51,068
BALANCE SHEET (\$000)			
Total equity	1,225,274	1,029,254	1,017,225
Net borrowings	14,893	432,959	388,839
Funds employed	1,274,140	1,497,870	1,515,883
Total assets	2,116,218	1,968,549	1,954,429
OTHER MAJOR ITEMS (\$000)			
Capital expenditure	179,126	211,214	211,851
Depreciation and amortisation (excluding production amortisation)	41,419	59,539	49,641
RATIOS			
Return on average total equity (%)	7.01	8.18	7.17
EBIT/average funds employed (%)	10.60	8.52	7.73
Net borrowings/total equity (%)	1.22	42.07	38.23
Interest cover (times)	3.70	3.70	3.13
PER SHARE CALCULATIONS			
Total EPS pre-significant/abnormal items and discontinuing operations (cents per share)	15.56	18.82	17.33
Total EPS including significant/abnormal items and discontinuing operations (cents per share)	11.64	16.54	6.24
Dividends – ordinary shares (cents per share)	7.175	7.175	10.00
Dividends – preference shares (cents per share)	10.175	10.175	13.00
Net tangible assets (\$ per share)	2.20	2.08	1.92
OTHER			
Accumulation index* – Ordinary shares (index base 1,000 as at June 1992)	1,555	2,317	2,075

*Represents value of \$1,000 invested in June 1992 with all dividends reinvested.

	1998	1997	1996	1995	1994	1993	1992
	441,664	392,570	297,119	246,615	153,014	72,846	36,397
	139,791	112,267	94,606	64,987	37,824	23,461	16,545
	109,662	81,276	73,251	52,242	28,997	18,052	12,409
	23,981	909	1,938	(1,101)	4,946	2,681	3,355
	12,697	8,293	6,610	10,399	2,130	5,220	1,807
	68,126	58,030	47,489	38,000	21,921	10,151	7,247
	48,499	44,404	30,452	24,242	11,283	5,947	4,279
	938,188	830,202	754,999	479,590	198,529	127,332	81,679
	270,293	344,214	(106,159)	18,751	82,745	10,791	6,244
	1,368,574	1,174,416	648,840	498,341	281,274	138,123	87,923
	1,792,681	1,482,496	1,126,436	775,851	442,052	328,934	157,850
	107,382	310,438	161,075	95,717	35,460	40,699	4,207
	30,129	30,991	21,355	12,745	8,827	5,409	4,136
	7.70	9.09	10.48	12.67	13.45	9.71	11.14
	8.62	8.92	12.77	13.40	13.83	15.97	13.06
	28.81	41.46	(14.06)	3.91	41.68	8.47	7.64
	3.40	6.09	6.01	4.29	4.46	6.03	2.11
	16.24	15.18	14.10	14.66	10.72	6.11	5.91
	16.70	15.74	14.10	14.66	10.72	6.69	6.38
	10.00	9.50	8.50	7.00	5.00	3.00	3.00
	13.00	12.50	11.50	10.175	5.74	0.00	0.00
	1.99	1.81	1.67	1.14	0.70	0.57	0.51
	3,224	4,367	4,846	3,514	2,394	1,753	1,000