



VILLAGE ROADSHOW LIMITED

ANNUAL REPORT 2002

Village Roadshow is an international media and entertainment group focused on maximising value from its core businesses.

Our strategy of restructuring the cinema exhibition division, along with excellent film product, has produced a strong turnaround in 2001/02.

Our investment in film production continues as it has the highest growth potential of all divisions.

Other businesses performed well, in difficult trading conditions.

Our core businesses are strategically and financially strong and we look to the future with confidence.

Village Roadshow Limited
ABN 43 010 672 054

01 Highlights for the Year
02 Financial Summary
03 Chairman and
Managing Director's Review
08 Cinema Exhibition
10 Radio
12 Theme Parks

14 Film Production
16 Film Distribution
18 Board of Directors
18 Senior Executive Team
20 Corporate Governance
25 Financial Report

HIGHLIGHTS FOR THE YEAR

Cinema Exhibition



Attendances

up 19%
 2002 106m
 2001 89m

Number of screens

2002 1514
 2001 1372

Radio



Reach

44.5% of the under 40
 demographic in Australian
 metropolitan areas

Ratings

Number one FM position
 in all major capital cities.

Theme Parks



Attendances

up 1.7%
 2002 3,199,795
 2001 3,146,599

3 new attractions

Scooby Doo Spooky Coaster
 Harry Potter Experience
 Polar Bear Cubs

Film Production



Top 3 films released

2002 Ocean's Eleven
 Cats & Dogs
 Training Day

2001 Miss Congeniality
 Swordfish
 Deep Blue Sea

Film Distribution



Top 3 films – Cinema Distribution

Lord of the Rings
 Harry Potter
 Ocean's Eleven

DVD Distribution

2002 2.5m units
 2001 1.15m units

Financial Summary

\$'000 (UNLESS SHOWN OTHERWISE)	2002	2001	% Change
Reported EBITDA excluding specific items and discontinuing operations	194.2	178.3	8.9
Pre tax profit including specific items	109.4	150.9	-27.5
Pre tax profit excluding specific items	124.9	101.4	23.2
Less			
Tax expense, excluding tax on specific items	(30.0)	(23.1)	29.9
Outside equity interests	(21.5)	(5.4)	
Attributed profit after tax, before specific items and discontinuing operations	73.4	72.9	0.7
Net specific items and discontinuing operations	(22.3)	(17.8)	
Net profit	51.1	55.1	-7.3
Total parent interest in equity	1,058,908	1,084,110	-2.3
Dividends per share (cents)			
Ordinary shares	0.000	7.175	-
A Class preference shares	10.175	10.175	-
Total earnings per share before specific items and discontinuing operations (total shares) (cents)	15.12	15.41	-1.9
Return on average equity (%)	8.05	6.95	
Net tangible assets per share (\$)	2.12	2.20	-3.6

Chairman and Managing Director's Review

TO OUR SHAREHOLDERS

Village Roadshow has completed the 2002 financial year with a net profit after tax before specific items and discontinued operations of \$73.4 million, marginally ahead of the previous year's result. Including specific items and discontinuing operations, net profit after tax was \$51.1 million, down slightly on the prior year.

Your Board of Directors view this as an excellent result, especially in the context of the very difficult external environment for theme parks and radio. Against the global downturn in advertising spend, new competition in the commercial FM market, the impact on inward tourism from September 11 combined with the Ansett collapse, the results of these divisions are a tribute to the strength of our brands and management teams running these businesses.

The stand out division was cinema exhibition. In the prior year we experienced our first ever operating loss in this division and this year's rebound has been outstanding. The profit before tax and specific items from continuing operations of \$28.6 million represents a \$44 million turnaround. These results reflect strong film product and the restructuring of our cinema exhibition division, including significant reductions in overheads.



STATE OF THE NATION

Each of our core businesses produced strong results during the year under review:

Cinema Exhibition – Movie going is back in fashion with a vengeance and attendances were up 19% in continuing territories during the year. Approximately 12% of this increase was from new sites. This year 106 million patrons visited our cinemas compared to 89 million last year.

The division's improvement was driven by quality film product including *Harry Potter*, *Lord of the Rings*, *Cats & Dogs*, *Ocean's Eleven* and *Stars Wars Episode 2*, together with the hard yards in restructuring and redirecting the way in which we do business.

In the current financial year, the growth from new sites will continue however capital expenditure will start to significantly reduce and this is expected to

result in cinema exhibition being a net contributor to group cash flow.

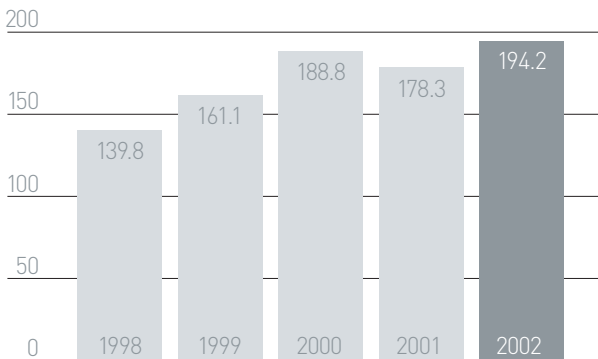
Recently we announced the sale of our 50% interest in the Korean cinema exhibition circuit. The intention is for proceeds from this sale to be used to increase our ownership in existing territories, which will improve our access to cash flow and the transparency of the division's earnings.

Radio – Facing a very difficult advertising market worldwide, Austereo achieved a solid profit result of \$57 million after tax, 12.9% higher than the previous year.

Despite new competitive radio licences, Austereo commanded a market share of 44.5% in its targeted under 40 demographic in the five key capital cities and clear leadership over new entrants.

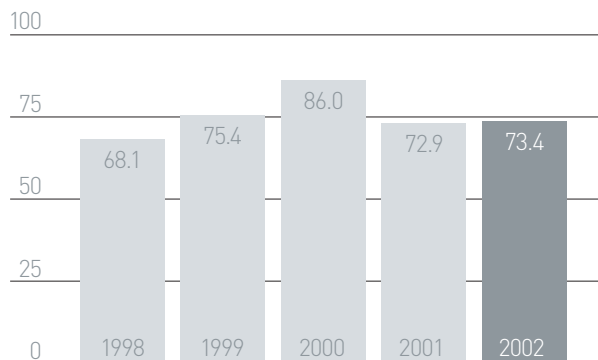
Earnings (\$ million)

(Reported EBITDA – Earnings before interest, tax, depreciation and amortisation)



- Cash flow generation remains solid
- EBITDA now exceeds capital expenditure
- 9.0% compound average growth over last 5 years

Profit after tax before specific items and discontinuing operations (\$ million)



- Significant profit turnaround from Exhibition offset by lower profits from Radio and Production
- 3.0% compound average growth over last 5 years

Theme Parks – Another successful year with overall attendances up 1.7% despite a 9% reduction in international tourists following September 11 and the collapse of Ansett Airlines. Domestic tourists increased by 6%.

The Sea World polar bear cubs introduced in December 2001 and the new *Scooby Doo Spooky Coaster* ride at Warner Bros. Movie World which opened in June 2002 are spectacular successes.

Film Production – A profit contribution of \$23.7 million before tax and specific items was achieved, compared to \$36.9 million in the previous year. The fall in earnings was due primarily to the lower number of films produced during the period.

The real underlying success and profitability of the film production division however can only be judged over time and over the portfolio of movies produced.

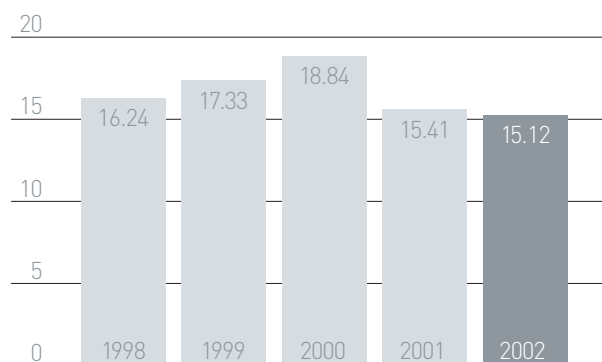
Film Distribution – The division achieved a near record year with profit before tax and specific items up 16.5% on the previous year. This was assisted by strong product including *Harry Potter*, *Lord of the Rings* and *Ocean's Eleven*, together with the new DVD revenue stream, which continues to grow over and above the traditional video revenues.

NEW STRATEGIC DIRECTION

Throughout the year management and the Board have intensely focused on structuring and positioning the Group for renewed growth. Whilst much has been achieved in rationalisation of assets and operations, the real test and challenge is to re-ignite momentum for profit growth.

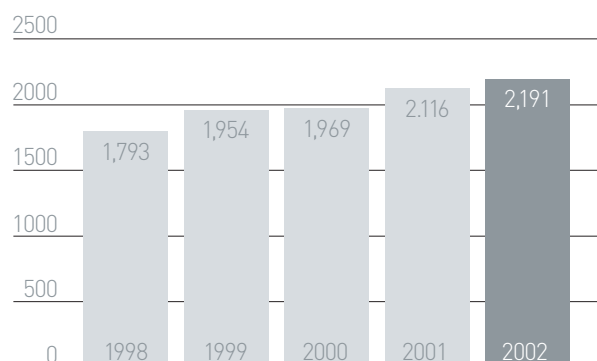
By construction and as a deeply embedded philosophy, Village Roadshow is an entrepreneurial company. However it is also financially conservative.

Earnings per share before specific items and discontinuing operations
(cents per share)



– EPS reduced due to higher shares on issue from dividend reinvestment

Total Assets
(\$ million)



– High quality, conservatively valued asset base
– 3.5% growth over year

Integrating both of these tenets into a dynamic strategic architecture has never been easy; and is even more confronting given the current environment. But that is what we must achieve.

The two prime opportunities for growth are in Film Production and Theme Parks.

The successful completion of the joint takeover, with Warner Bros., of the Sea World Property Trust allows for the consolidation and simplification of our entire Theme Park businesses. We now have a strong platform for expansion of our existing parks and development of new parks internationally in the medium to long term.

The more immediate growth prospects for the Group are in film production and it is worthwhile to reiterate the key assets and competitive advantages we bring to this business:

- Village Roadshow's experience in film production and distribution goes back 30 years to the successful films of *Alvin Purple*, *Mad Max* and *Breaker Morant*.
- Our relationship with our principal partner Warner Bros. has deep roots also dating back to the 1970s. Warner Bros. are not only 'up in the plane' with us as we share risk on productions but we also maintain a seamless relationship as to the marketing and distribution of our films.
- We bring to bear a portfolio approach to production, which is unique outside the major studios. Given the inherent volatility in the performance of individual films, profitability has to be assessed across a slate of pictures – in any period a mix of break evens and losses, good results and break outs can be expected.

– We have crossed a major river in having some of the great sequels and franchises of our industry. *Analyze That*, the eagerly awaited sequel of *Analyze This*, is currently completing production and will be released at Christmas. *The Matrix Reloaded* and *The Matrix Revolutions* have just finished principal photography in Sydney, Australia and both of these films will be released next calendar year. *The Matrix* is regarded by many in the industry as the *Star Wars* of this generation. Rounding out our franchise films is the opportunity for follow ups on *Cats & Dogs*, *Ocean's Eleven* and *Miss Congeniality*.

– In the last five years we have built an exceptional film library with 27 titles including some of the most successful films of recent years. This library is our oil in the ground and is being continually added to.

– Our executive team is second to none. Bruce Berman, Chairman and CEO is a former President of Warner Production and has gathered around him a group of outstanding people that represent a blend of insider and outsider expertise.

To exploit the breadth of the opportunity before us, including *The Matrix* sequels, the restructure of the off-balance sheet finance facility is expected to be completed in October 2002. This will result in an increase in the facility to US\$900 million and an extension through to 2007.

This restructure will enable the film production division to continue as one of the major independent production groups in the international market place. Indeed, we would expect the division to release a further 35–50 films over the next five years.

Our decision to increase our focus on film production does have direct implications for the financial profile and structure of the Village Roadshow Group. By its very nature, film production has a high risk/return profile, and can result in significant cash flow volatility.

Our film production financing arrangements and portfolio approach aim to minimise the impact of the above factors on Village Roadshow. However, as a defensive mechanism, the Board of Directors is focused on making decisions and setting policies to reinforce balance sheet muscle and flexibility to allow for any financial exigency we can envisage.

Put simply, the core balance sheet strength of the Village Roadshow Group must not be compromised by even a string of disappointing releases.

Your Board's decision to suspend the dividend on ordinary shares and annually review the dividend on A Class preference shares is one consequence of ensuring maximum financial flexibility for the Group whilst pursuing growth options.

Over the medium term we are convinced, you, our shareholders, will be rewarded with renewed profit growth and a resurgent share price. Our clear goal is long term sustainable capital growth.

EXECUTIVE REMUNERATION

At the last AGM, it was proposed that the structure and amount of Executive Directors' salaries would be reviewed. This September, following external expert advice, we announced a 20% reduction in

these base salaries and a new bonus structure which is closely related to financial, operating and share price performance.

Your Board and the Remuneration Committee are now satisfied we have met sensitive market expectations and strongly aligned shareholder and Executive Directors' interests.

In summary, the management and staff across all our businesses have conquered another difficult year. With their commitment, intellect and sheer energy they continue to prove to the world that Village Roadshow is a great company with a strong capital base and an exciting future.



ROBERT G. KIRBY
CHAIRMAN



GRAHAM W. BURKE
MANAGING DIRECTOR



The combination of outstanding film product and results-oriented marketing, has helped cinema exhibition return to being a profitable contributor to the Group.

CHRIS GALLAHER
Chief Executive Officer

KIRK SENIOR
Chief Financial Officer

GEORGE LIVERY
Director Marketing & Sales

DIMITRA MANIS
Director Human Resources

CHRIS JOHNSTONE
Director Design &
Development

DAVID GLASS
Managing Director Village
Roadshow Leisure

JOHN IOZZI
Managing Director Australia

HARRY ANTONOPOULOS
Managing Director Greece

STEVE KAPPEN
Managing Director Taiwan

KURT RIEDER
Managing Director
Singapore

EDUARDO NOVILLO
ASTRADA
Managing Director
Argentina

PETR KOURIL
Managing Director
Czech Republic

Cinema Exhibition

A night out at the movies has returned to fashion during the year under review, with more than 106 million customers being entertained across the global Village circuit – an increase in our continuing territories for the year of 19%. Patrons attending our cinemas generated box office revenue of \$973 million and candy bar revenue of \$262 million.

This extraordinary result was largely attributable to two key areas – outstanding film product and the combination of aggressive and results-oriented marketing.

The exhibition industry worldwide benefited from a consistent flow of quality film product throughout the year, interspersed with a string of blockbuster titles with stand-out movies including *Harry Potter and The Philosopher's Stone*, *Lord of the Rings: Fellowship of the Rings*, *Monsters Inc.*, *Bridget Jones' Diary*, *Cats & Dogs*, *Ocean's Eleven*, *Ice Age*, *A Beautiful Mind*, *Spider Man*, *Star Wars Episode 2*, *Scooby Doo* and *Swordfish*.

A back to basics approach to operations, with a particular focus on innovative local area marketing initiatives, industry campaigns and marketing alliances with key brand partners, including Warner Bros., has also assisted in returning exhibition to its rightful position as a key earnings contributor to the Village Roadshow Group.

Admissions growth was reported in nearly all territories and in particular, the UK, Australian and New Zealand operations all recorded exceptional admissions growth. In Argentina, admissions were only marginally down on the previous year, which was an outstanding achievement given the economic turmoil impacting all business sectors in that country.

The division continued its focus on maximising profitability in core territories and exiting territories not aligned with our strategic objectives. To this end during the year we sold our interests in Thailand, India and Malaysia. In September 2002 we also announced the divestment of our share of the Korean cinema circuit for a \$90 million profit on sale.

The division continued to set industry benchmarks in the design and development of state of the art cinemas with the opening of 15 new sites and 160 screens across five countries during the year.

OUTLOOK

2003 promises to be another successful year for exhibition, with the division firing on all fronts:

- The movie line-up for 2003 looks as strong, if not stronger than in 2002 with eagerly awaited sequels to *The Matrix*, *Harry Potter*, *Lord of the Rings* and *Austin Powers*, in addition to other quality titles such as *My Big Fat Greek Wedding*, *Two Weeks Notice* and *Catch Me If You Can*;
- Growth will continue from nine new sites and 89 new screens opening in core territories in 2003 as well as full year benefits from those opened in 2002;
- The capital expenditure program continues to wind down, ensuring that the division will reach its objective of being a net cash contributor to the group; and
- The refocus on our core marketing strengths will continue to ensure that we get customers, keep customers and sell them the big movies.

Radio

In its first full year of operation since listing in March 2001, Austereo Group Limited turned in a strong result. This was achieved, despite the double impacts of a major advertising downturn affecting all media, and new competition.

Through the strength of its brands – the Today and Triple M radio networks – plus creativity, cost management and great talent on and off-air, Austereo reported a net after tax profit of \$57 million, exceeding the 2001 proforma result by 12.9%. Even when adjusted for the part sale of the two Newcastle radio licences completed during the year, after tax profit was in line with the previous year, at a time when metropolitan radio revenues declined.

Austereo completed the year having retained or regained number one FM position in every one of its markets, in the face of intense competition (ACNielsen Survey 4, 18 June 2002). The joint ventures in Newcastle and Canberra also retained audience leadership. Overall, Austereo achieved an audience in excess of 6 million and a leading share of the key under-40 year old audience. Innovative high-energy programming and promotions combined to drive the strong ratings results.

Austereo Sales retained leadership position, despite intense competition from within the radio industry and from other media seeking to win share away from the radio category. The major investment in sales training over recent years underpinned the sales results, and Austereo Sales conceded just one percentage share point in the face of the extraordinary conditions.

Offshore, Austereo's radio ventures continued to expand. The Malaysian joint venture increased audiences to 7.48 million and also won the number one position with Malay, Chinese and English language stations. The sales operations converted the audience success into an over 60% share of total radio advertising. In Athens, the Austereo consultancy reformatted and relaunched Village 88FM, which went on to become number one in audience ratings. In the UK, Austereo continues to provide expertise to the UKRD radio group, operating a portfolio of non-metropolitan stations. Through this offshore experience, Austereo has developed a comprehensive and effective model to export Australian radio intellectual capital offshore. The group has succeeded in radio markets of vastly different cultural requirements and demands, and Austereo will continue to seek appropriate offshore growth opportunities.

In seeking further growth opportunities, Austereo has pursued a policy of exploiting non-traditional revenue opportunities. These strategies can also enhance the radio brands. A new division, Austereo Live, successfully launched the Rumba! concert program. This strategy will be further developed and also supplemented by M One concerts. At the same time, CD sales and additional non-traditional revenue concepts will be developed.

The complementary business portfolio of Simon Richards Group, Eye Shop and mcm entertainment all posted improved results. Simon Richards is Australia's largest direct marketing group, with skills in telemarketing and database marketing. The company expanded its operations into Brisbane and has also enjoyed significant growth in Malaysia. Eye Shop, the mall signage joint venture with Eye Corp, enjoyed strong sales growth and mcm entertainment marketed a broad and creative portfolio of syndicated radio programs.

Austereo's programming successes are based upon research, great on-air talent and the strength and experience of the programming teams. There is an ongoing focus on talent development and music – in particular, Australian music. This has resulted in additional career opportunities for local talent.

Because of Austereo's commitment to each of its communities, the support of social causes has been an important element. During the year, Austereo's Today Network won two community awards in the Australian Financial Review 2002 National Sponsorship Awards, for involvement with the Kids Help Line Radiothon.

In a rapidly evolving media environment, radio has been characterised by its ability to rapidly adapt to change and to continue to grow in strength and relevance. For example, in 2001 commercial radio's share of advertising expenditure rose to 9.2%, ahead of the previous year's 8.4% share. Listening trends are equally robust, providing an exciting outlook for this most unique medium.

Everyday, millions of Australians tune into the strong signal of FM radio. And the stations that reach more metropolitan listeners than any other competitor is Austereo.



AUSTereo's LEADING SYDNEY FM STATION - 2DAY FM

PETER HARVIE
Executive Chairman
BRAD MARCH
Group Managing Director
BRIAN BICKMORE
Group General Manager
MICHAEL ANDERSON
Executive Director, Sales
Strategy and Operations

JEFF ALLIS
Group Programming
Director
DES DECEAN
Director of Engineering
and IT
KATHY GRAMP
Group General Manager
Finance

SEAN PICKWELL
Group National Promotions
& Marketing Director
GAY WALLACE
Group General Manager
Corporate Affairs

JOHN MENZIES
Chief Executive Officer
GRAHAM MCHUGH
Chief Financial Officer
STEVE PEET
Chief Operating Officer

KEN MINNIKIN
Director of Marketing
ERNST PFISTER
General Manager
Sea World Nara Resort



SCOOBY DOO SPOOKY COASTER, WARNER BROS. MOVIE WORLD

Warner Bros. Movie World, Sea World and Wet 'n' Wild Water Park continue to be Australia's favourite theme parks.

Theme Parks

Theme Parks once again demonstrated the incredible strength of their brands and marketing strategy, delivering an outstanding result during the year. Both attendances and earnings increased, despite reduced international tourism following the events of September 11 and the collapse of Ansett Airlines, with each of the three parks contributing to the improved performance.

Highlights of the year included the arrival of two one-year-old Polar bear cubs from the Leningradsky Zoopark, in St Petersburg, Russia, in time for Christmas trading, reinvigorating attendances at Sea World. The cubs joined the older bears Ping Ping and Kanook in providing a sensational second half for Sea World – annual attendance lifted by 2.2% despite a poor first half exacerbated by world events.

Sea World also won the Major Tourist Attraction Award at the Queensland Tourism Awards and the marketing division won the Tourism Promotion Campaign Award for its work with the Polar bears.

Warner Bros. Movie World posted a solid performance with the *Harry Potter & The Philosopher's Stone* experience opening before Christmas, helping recovery from a sliding first half attendance. Overall the period under review maintained the previous year's figures, producing sound margins. The long awaited *Scooby-Doo Spooky Coaster* ride opened in June 2002 and proved an instant success. The hugely successful movie *Scooby-Doo*, made at the Warner Roadshow Movie World Studios in 2001, was the template for the attraction, already dubbed by the industry as one of the world's best indoor coaster rides.

Wet 'n' Wild continues to build on its success, increasing attendance substantially and increasing its operating profit 14% ahead of last year. A new Whirlpool attraction will open before Christmas to reinforce Wet 'n' Wild as one of the world's best water parks.

The Studios had a successful year with production completed on the Warner Bros./Village Roadshow Pictures feature film *Ghost Ship* and production commenced on the feature films *The Great Raid* for Miramax and *Peter Pan* for Revolution Studios/Sony/Universal. With *The Great Raid* and *Peter Pan*

taking all of the Studios facilities, coupled with the requests from other producers for facilities, the Studios were expanded, with the addition of two new sound stages and support facilities, with financial assistance coming from the Queensland Government. The introduction of the Federal Government's tax offset for feature films produced in Australia should continue to fuel demand for the Studios going forward.

Sea World Nara Resort posted a first class result despite the international tourism slowdown. Innovative domestic marketing and the extensive refurbishment carried out during 2001 produced strong increases on the previous year and a 13% increase in room rates. Average occupancy of 68.7% was achieved.

During the year Village Roadshow and Warner Bros. successfully completed the joint takeover of the Sea World Property Trust and the division was restructured to reduce management of the three parks into one team, reaping instant results in cost reduction and efficiencies.

OUTLOOK

The division remains confident it will increase visitation through its marketing campaigns targeting the consumer, travel agents and wholesalers. Consumers are increasingly bypassing traditional outlets in their search for discounts and specific information. The parks' multi-language web sites are geared for this and are already showing results. Both Virgin Blue and Qantas have increased airline services to the Gold Coast and Brisbane.

As in past years, the parks' new attractions, backed by exceptional marketing campaigns, are expected to continue to deliver gains in the domestic market and we are confident that we will reap the rewards from our increased investment in this division.

Village Roadshow Pictures is on course to becoming the world's leading independent film producer backed by one of the industry's strongest libraries.



BRUCE BERMAN
Chairman, Chief Executive
Officer

STUART BOXER
Finance Director

STEVE KRONE
Chief Operating Officer

MICHAEL LAKE
Executive Vice President
Worldwide Feature
Production

REID SULLIVAN
Chief Financial Officer

STEPHEN FOSTER
Business Affairs Manager

DANA GOLDBERG
Senior Vice President
Production

Film Production

Village Roadshow Pictures continues to move from strength to strength and during the year released nine films, which achieved worldwide box office revenue of approximately \$2 billion. These included the worldwide blockbuster *Ocean's Eleven*, Academy Award winning *Training Day*, as well as *Cats & Dogs*, *Zoolander*, *Don't Say A Word*, *Hearts in Atlantis*, *The Majestic*, *Queen of the Damned*, and *Showtime*.

Since the end of the year under review, a further two films have been released. For the 27 films released by the division the total global box office is now more than \$5.2 billion.

In addition to films released during the year, the extraordinary library of previously released films continued to generate significant revenue. In addition to the re-licensing and re-packaging of our films for the free to air, pay TV and video rental markets, the DVD market continues to enjoy exponential growth. All of our titles have benefited from this new revenue stream.

A key focus for management during the year was the restructure of the division's financing facilities. This restructure is expected to be completed in October 2002. This will provide an increase in the revolving credit facility from US\$750 million to US\$900 million, as well as an extension for a further five years through to October 2007. This facility is held by Village Roadshow Films, a special purpose, off-balance sheet entity in which the Group has a 19.9% investment.

As a result of the restructuring, Village Roadshow Pictures will secure its ability to participate in the co-production of *The Matrix* sequels and expects to be able to also release a further 7 to 10 films each year.

OUTLOOK

The library of 27 films has produced a significant number of sequel and franchise properties, which provide greater commercial and financial certainty as a result of having a loyal audience and worldwide recognition.

There are three such sequels currently in production:

- *Analyze This* will be followed up in December, 2002, by *Analyze That*, with Robert De Niro and Billy Crystal retaining their starring roles; and
- Most significantly, *The Matrix Reloaded* and *The Matrix Revolutions* have completed principal photography and are scheduled for release in May and November of 2003. Independent research indicates these are two of the most eagerly anticipated films in motion picture history.

Opportunities also exist for follow-ups to other highly successful Village Roadshow Pictures films including *Cats & Dogs*, *Ocean's Eleven* and *Miss Congeniality*.

Other upcoming films include:

- *Ghost Ship*, a horror-thriller from the producer of *The Matrix* and *Lethal Weapon* franchises;
- *Two Weeks Notice*, a romantic comedy starring Sandra Bullock and Hugh Grant;
- *Dreamcatcher*, an epic action-thriller based on the Stephen King bestseller;
- *Torque*, a high-octane action film from the producer of *The Fast and the Furious* and *xXx*;
- *Troy*, an epic adventure story of the Trojan War, directed by Wolfgang Petersen (*The Perfect Storm*, *Air Force One*, *In the Line of Fire*) starring Brad Pitt and Eric Bana; and
- *Mystic River*, a dramatic thriller based on the bestselling novel by Dennis Lehane. Directed by Clint Eastwood, this film features Sean Penn, Laurence Fishburne, Tim Robbins, Kevin Bacon and Laura Linney.

Clearly, the division is well positioned for future growth with strong financial foundations and an exciting slate of films in production. Over the next few years we look forward to Village Roadshow Pictures cementing its position as the world's major independent production company.

Film Distribution

CINEMA DISTRIBUTION

The year under review was one of the best on record for the division, with an overall increase in sales of 39% over the previous period. Strong product, backed by cutting edge, innovative and creative marketing and sales strategies and strong media support helped achieve these outstanding results.

Stand out films for the division included *Lord of the Rings: Fellowship of the Ring* and *Harry Potter and the Philosopher's Stone*, with both films breaking box office records in Australia and New Zealand.

A number of other blockbusters also featured in the 2002 result – *Ocean's Eleven* grossed a massive \$22 million; *Cats & Dogs* performed at a remarkable level at the Australian box office, grossing over \$16 million, and *Scooby Doo* grossed over \$17 million.

Underlying the performance are the continuing strong ties to suppliers including Warner Bros., New Line, Village Roadshow Pictures, and key independent producers, allowing the division to maintain a diverse and highly commercial slate of releases. In particular, Warner Bros.' and Village Roadshow Pictures' box office revenue were both double those achieved during the prior year – an achievement all the more spectacular given the industry-wide increase of only 16% for the same period.

HOME ENTERTAINMENT

Roadshow Entertainment achieved record sales for the year of over \$150 million across video, DVD, software and music, and retained its number one share of the video rental and retail markets.

DVD distribution more than doubled from the previous year, from 1.15 million units to 2.5 million units, clearly reflective of the move from home video to home DVD. Despite this outstanding result, distribution of video remained constant at 4.2 million units. Major rental and retail successes in both DVD and VHS included *Miss Congeniality*, *Traffic*, *Swordfish*, *Rush Hour 2*, *Training Day*, *Chocolat*, *Ocean's Eleven*, *Hi 5*, *Cats & Dogs* and the ABC's *A Long Way To the Top*.

The long term video and DVD distribution relationship with the Australian Broadcasting Corporation was renewed during the year. This continues the successful partnering that has

delivered an 11% increase on the previous years sales volume, driven by the category leading ABC For Kids range and long term best sellers *The Wiggles* and *Bob the Builder*. With a 25% increase on the previous year's sales volumes, our joint arrangement with ABC Enterprises to market and distribute the BBC Worldwide collection of DVD and video products was also renewed. This content provides tremendous growth opportunities as their back catalogue – with programs like *Fawlty Towers*, *Ab Fab* and *Black Adder* – become available in the DVD format whilst new programming – *Walking With Beasts*, *Blue Planet* and many others continue to sell in volume.

TELEVISION

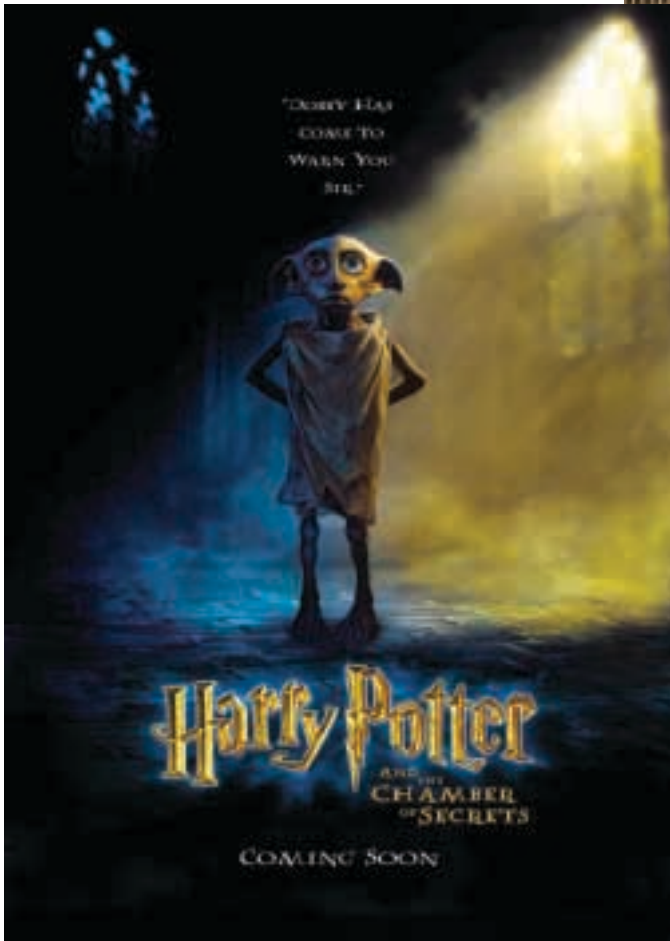
Roadshow Television remains the pre-eminent supplier of feature films to all forms of television in Australia and New Zealand, continuing strong relationships with the Nine Network, The Movie Network, SKYTV, and TV New Zealand.

The division is active in the growth of pay per view/near video on demand and video on demand, both of which have flourished in the New Zealand market. As a 25% owner of The Movie Network, Roadshow Television anticipates substantial subscriber growth once the channels also become available in Australia on Foxtel in early 2003.

OUTLOOK

The strong performance of the film distribution division in 2002 is set to continue into 2003:

- Cinema distribution should continue to thrive on the continuing surge of quality films such as *Harry Potter*, *Lord of the Rings*, *The Matrix* and *Austin Powers*, which has already performed strongly at the box office in the US.
- Robust support for Australian films continues with exciting acquisitions including *Crackerjack* and *Bad Eggs* with Mick Molloy, *Takeaway* with Vince Colosimo, *The Nugget* starring Eric Bana and *Fat Pizza* based on the successful TV series and stage show.
- In the coming year, both Home Entertainment and Television can expect to reap the rewards from the box office successes of 2002 and the strong relationships they have forged.



The Distribution division succeeded on all fronts; cinema distribution, home entertainment and television all recorded strong results backed by superior product and management.

IAN SANDS
Chairman Roadshow Films
JOEL PEARLMAN
Managing Director
Roadshow Films
CHRIS CHARD
Managing Director
Roadshow Entertainment
DEREK MALONE
Managing Director
Roadshow Television

GRANT DEVONPORT
Finance Director
Roadshow Films
KATHRYN CARROLL
General Manager
Distribution
ROS WILSON
General Manager,
Roadshow Entertainment
BRETT ROSENGARTEN
National Sales Manager
Roadshow Films

FRANCIS NOLAN
Director Marketing,
Roadshow Entertainment
PHIL ONEILE
National Marketing
Manager, Roadshow Films
NOEL BECKETT
Managing Director
New Zealand