



VILLAGE ROADSHOW LIMITED

ANNUAL REPORT 2003

Financial Summary

	2003	2002	% Change
\$M (UNLESS SHOWN OTHERWISE)			
Reported EBITDA excluding specific items and discontinuing operations	201.6	175.5	14.9
Pre tax profit (loss) from continuing operations - including specific items	(23.3)	90.9	
Pre tax profit from continuing operations - excluding specific items	103.8	106.3	(2.4)
Less			
Tax expense, excluding tax on specific items	(24.4)	(29.7)	(17.8)
Outside equity interests	(18.3)	(21.3)	(14.1)
Attributed profit after tax, before specific items and discontinuing operations	61.1	55.3	10.4
Net specific items and discontinuing operations	(87.1)	(4.2)	
Net profit (loss)	(26.0)	51.1	
Total parent interest in equity	957.3	1,058.9	(9.6)
Dividends per share (cents)			
Ordinary shares	-	-	
A Class preference shares	-	10.175	
Total earnings per share before specific items and discontinuing operations (total shares) (cents)	12.55	11.47	9.4
Return on average equity (%)	6.97	6.31	
Net tangible assets per share (\$)	1.81	2.07	(12.6)

01	08	10	14	16	18	20	22	29	89
Chairman & Managing Director's Review	Film Production	Theme Parks	Radio	Cinema Exhibition	Film Distribution	Board of Directors & Senior Executive Team	Corporate Governance	Financial Report	Additional Information

Chairman and Managing Director's Review

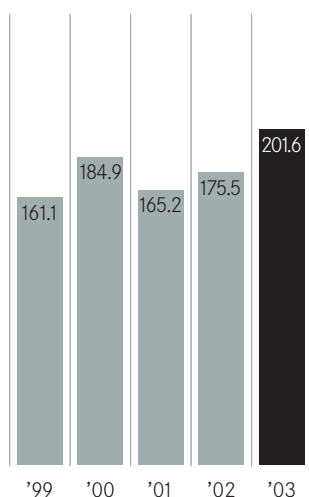
To our shareholders,

Village Roadshow Limited recorded an overall loss for the 2003 financial year of \$26.0 million. This loss is attributable to the write down in recoverable value of international cinema assets and the expensing of finance restructure costs relating to the film production division which were offset by a profit on sale of exhibition operations in Korea.

Excluding specific items and discontinuing businesses, operating profit after tax was \$61.1 million for the year ended 30 June 2003, representing an increase of 10.4% over the prior year result of \$55.3 million.

The small increase in operational results is pleasing considering the context of SARS and terrorism which impacted both our Theme Parks and Exhibition businesses as well as the continued effect of the volatile advertising conditions on Austereo.

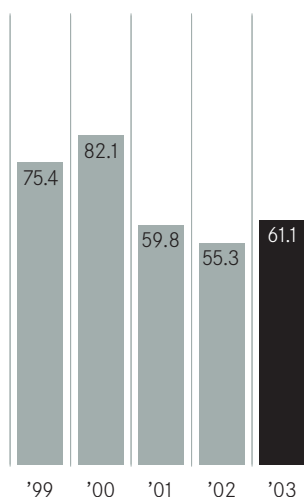
Chairman and Managing Director's Review continued



Earnings (\$ million)

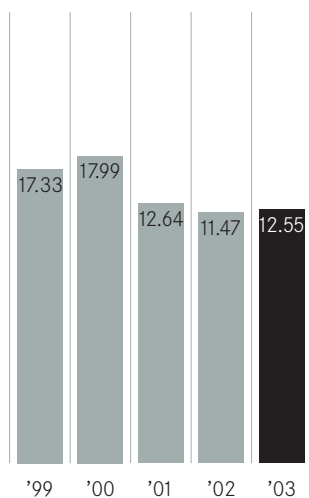
(Reported EBITDA excluding specific items and discontinuing operations)

- Cash flow generation remains solid
- 14.9% growth over year



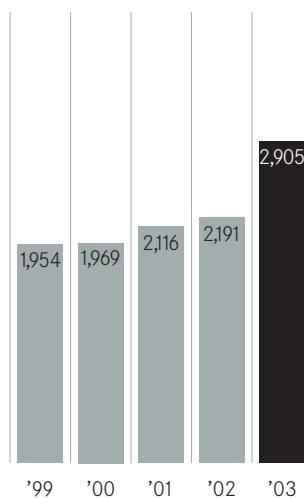
Profit after tax before specific items and discontinuing operations (\$ million)

- 10.4% growth over year



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

- 9.4% growth over year



Total Assets (\$ million)

- High quality asset base
- 32.6% growth over year, mainly due to acquisition of Village Roadshow Films (BVI) Limited and divestment of UK Warner Village Cinema circuit

There were a number of restructuring initiatives undertaken during the 2003 financial year, including:

- Completion of the US\$900 million finance restructuring for the Film Production division and a move to 100% ownership of Village Roadshow Films (BVI) Limited;
- The sale of the 50% owned Warner Village cinema circuit in the UK at a loss of \$5.4 million;
- The sale of Village Roadshow's interest in the Korean cinema operations at a profit of \$84 million; and
- Increasing the Company's interest in the Australian multiplex circuit from 33% to 50%.

All of these initiatives are important achievements in ensuring a strong foundation, simplified structure and more robust earnings profile.

Basic earnings per share for the year ended 30 June 2003 was negative 11.06 cents, compared to positive 10.80 cents for the previous year, reflecting the net loss of \$26.0 million. In May 2003, the Company announced that it would not declare a dividend on both the preference and ordinary shares for the year ended 30 June 2003.

Film Production

Operating profit before tax and specific items for the Film Production division decreased from \$23.7 million for the 2002 financial year to \$11.0 million for the year ended 30 June 2003 due mainly to intercompany interest.

The release of *The Matrix Reloaded* in May 2003 was the highlight of the year for the Film Production division. *The Matrix Reloaded*, which opened in May 2003, broke the all time box office record for an opening weekend and to date worldwide has grossed over \$US730 million, making it the 13th highest grossing movie ever. Due to timing, the results of this film were not material to profitability for the 2003 financial year.

Other films released during the year were *Eight Legged Freaks*, *The Adventures of Pluto Nash*, *Ghost Ship*, *Analyze That*, *Two Weeks Notice* and *Dreamcatcher*. Films for release in 2004 include *The Matrix Revolutions*, *Mystic River*, *Torque* and *Taking Lives*.

Chairman and Managing Director's Review continued

Theme Parks

Operating profit before tax for the Theme Parks division decreased by 16.7% to \$11.5 million for the year ended 30 June 2003. Reported EBITDA also reduced slightly from \$22.9 million in the previous corresponding period to \$20.8 million. Impacting the division's performance were the SARS crisis and the impact of terrorism, particularly the events in Bali in October 2002 and the Iraq war. These events combined to cause a significant decline in international visitors.

Sea World was the most significantly impacted with attendances down 10% on the previous corresponding period and net profit down 15% with no new attractions to balance the falling international visitor numbers. Sea World will be opening its new *Shark Bay* attraction in early 2004.

Wet 'n' Wild Water World also experienced a slight decline in both attendances and profitability.

This trend was reversed at Warner Bros. Movie World where the opening of the new *Scooby Doo Spooky Coaster* ride in June 2002 and the *Harry Potter and the Chamber of Secrets* attraction in December 2002 resulted in admissions growth of 5% and an increase in profitability of 9.5%.

Warner Roadshow Movie World Studios also provided a significant boost to the Theme Park division's results whilst Sea World Nara Resort Hotel experienced a relatively flat year with an increase in domestic holiday makers opting for the Gold Coast instead of overseas destinations making up for the falling international visitors.

Radio

Austereo Group Limited achieved strong operational results during the year, maintaining its audience leadership and gross margins. Operating profit before tax and specific items for the radio division was down 9.5% on the previous corresponding period to \$62.8 million, with reported EBITDA also down from \$88.4 million last year to \$83.1 million for the year ended 30 June 2003. This is an excellent result considering the volatile advertising market conditions which have impacted the global media industry. However there are strong indications that the market is now picking up.

During the year, Austereo reinforced the strength of its brands by maintaining consistent audience leadership with an Austereo station holding either the number one all people or number one FM station position in each of its markets. In the final result of the financial year (ACNielsen Survey 4), Austereo boosted all under

40 demographics, including a rise from 42.9% to 46.2% in the 18 – 24 demographic and from 38.9% to 39.3% in the 25 – 39 demographic. In addition, strong management control resulted in a radio operations margin of 34% which is in line with the previous corresponding period and with leading international standards.

Offshore operations all performed strongly with the Malaysian radio joint venture achieving an audience of 8.4 million for calendar year 2002. Austereo's Athens radio station, Village 88FM, won the number one international station position. The UKRD joint venture has also increased revenues and audience listening times in a difficult market.

Following a number of buy backs of Austereo Group Limited shares, in which it did not participate, Village Roadshow's shareholding in Austereo increased to 59.72%.

Cinema Exhibition

Operating revenue for the Cinema Exhibition business increased by 1.4% to \$412.9 million in the year ended 30 June 2003. Profit before tax of \$12.0 million was an increase of 10.5% over the previous year.

The division enjoyed a year with a strong and consistent flow of film product including *Lord of the Rings – The Two Towers*, *Harry Potter and The Chamber of Secrets*, *The Matrix Reloaded*, *My Big Fat Greek Wedding*, *Austin Powers in Goldmember*, *Bend it Like Beckham*, *Chicago* and *Two Weeks Notice*.

However the strong product was balanced by the loss of some screen advertising revenue in Australia and Singapore as a result of the collapse of screen advertiser, Val Morgan, SARS in our Asian territories, the floods in the Czech Republic, and the sale of the UK joint venture circuit in May 2003.

On a like for like basis, for those sites open for the full year, the increase in admissions was 2%.

Reported EBITDA of \$61.4 million was 5.0% lower than the previous corresponding period. Village Roadshow's share of underlying EBITDA for continuing operations was slightly higher than the corresponding prior period.

Trading in the current year continues to be satisfactory.

Chairman and Managing Director's Review continued

Film Distribution

Film Distribution had an excellent result for the year ended 30 June 2003 with profit before tax and significant items increasing from \$2.2 million to \$9.3 million.

The theatrical division was driven primarily by particularly strong performances from *My Big Fat Greek Wedding*, *Lord of the Rings – The Two Towers*, *Austin Powers in Goldmember* and *Crackerjack*.

The entertainment division delivered a record breaking year. Crucial to this result was the successful release of the first *Lord of the Rings* VHS and DVD and the continued strong market position of Roadshow in the children's VHS and DVD market.

The result for television distribution was marginally lower than last year.

Preference Share Buy Back

Subsequent to year end, on 28 July 2003, Village Roadshow announced that it will propose a Scheme of Arrangement to buy back the A Class preference shares on issue in exchange for \$1.25, with 25 cents per share cash being paid to preference shareholders and the balance of \$1 being applied in the issue to preference shareholders of a Convertible Note with a face value of \$1. Ordinary shares will not participate in the proposed scheme of arrangement.

The Scheme Booklet (including the Independent Expert's Report) was dispatched in early October and meetings at which both ordinary and preference shareholders may vote for the proposal will proceed in early November 2003.

The board of directors have supported this restructure as in the interests of both classes of shares.



Robert G. Kirby
CHAIRMAN



Graham W. Burke
MANAGING DIRECTOR



When you think Village Roadshow,
think world-class...

ENTER

Film Production
Theme Parks
Radio
Cinema Exhibition
Film Distribution

TAIN

MENT &

MEDIA

Film Production

Village Roadshow Pictures (VRP), the Company's film production division, continues to build on its well-earned reputation as an international leader in major motion picture co-production and co-financing.

During the financial year, the Company completed the restructuring of the division's financing arrangements, and VRP now has available financing of US\$1 billion, comprised of US\$900 million in debt and US\$100 million in effective equity provided by Village Roadshow.

The division released seven theatrical features in the year under review: *Eight Legged Freaks*, *The Adventures of Pluto Nash*, *Ghost Ship*, *Analyze That*, *Two Weeks Notice*, *Dreamcatcher* and *The Matrix Reloaded*. Of these seven releases, the two stand-outs were *Two Weeks Notice* (worldwide box office gross of over US\$200 million) and *The Matrix Reloaded* (worldwide box office of over US\$730 million). However, these successes were offset to an extent by the disappointing results of *The Adventures of Pluto Nash* and *Dreamcatcher*.

The Matrix Reloaded achieved numerous remarkable milestones during its historic run, including becoming the 10th largest grossing film of all time in the international (outside of North America) market – with box office receipts of more than US\$450 million (topping titles including *Spider-Man*, *Mission Impossible 2*, *Men in Black*, *The Lost World: Jurassic Park*, and *E.T. The Extra-Terrestrial*) – and achieving the first US\$100 million+ international box office weekend in film history.

No profits from film exploitation have been declared in this financial year's result. However, it is expected that film profits will be earned progressively over future financial years, subject to film performance across the portfolio. The divisional result was impacted by a one-time specific item of A\$49 million due to the write-off of the payout to the former equity holders under the previous financing and the set-up costs associated with the new financing.

Our slate for the upcoming fiscal year includes several exciting projects:

- *The Matrix Revolutions*, the very eagerly anticipated third chapter in the story of the Matrix, which promises a final resolution of the battle between man and machines and an answer to all of the mysteries of the Matrix;
- *Mystic River*, a gripping murder mystery from Academy Award-winning director Clint Eastwood, with an all-star ensemble cast featuring Sean Penn, Tim Robbins, Kevin Bacon, Laurence Fishburne, Laura Linney and Marcia Gay Harden, based on the best-selling novel by Dennis Lehane;
- *Torque*, a high-speed, stunt-filled action movie set in the world of motorcycling, from the Producer of *2 Fast and 2 Furious*, *The Fast and the Furious* and *xXx*; and
- *Taking Lives*, a suspense-thriller starring Angelina Jolie as an FBI agent tracking a serial killer who assumes the identity of his victims, and Ethan Hawke as the witness who is the key to finding the killer.

Looking past next fiscal year, our production slate includes:

- *Catwoman*, starring Halle Berry bringing the feline sensation back to the silver screen in this spin-off of the hugely successful *Batman* series;

IMAGIN

- *Ocean's 12*, with Steven Soderbergh returning as director and George Clooney, Matt Damon, Brad Pitt and Julia Roberts all reprising their roles in another high stakes caper, this time set in Europe and with exciting additions to the cast; and
- *Happy Feet*, a computer-animated, family film from George Miller, the creator of *Babe*, that tells the story of a penguin in Antarctica with a special gift. Featuring the voices of Elijah Wood, Nicole Kidman, Hugh Jackman, Robin Williams, Brittany Murphy and Steve Irwin.

Village Roadshow Pictures remains dedicated to producing and marketing high-quality, commercial movies with a commitment to rigorous financial control and professionalism in every aspect of the filmmaking process.

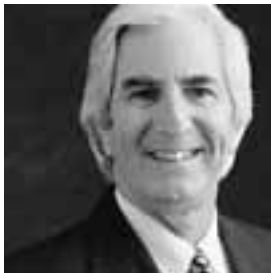
BRUCE BERMAN Chairman & Chief Executive Officer
STUART BOXER Finance Director
STEVE KRONE President & Chief Operating Officer
MICHAEL LAKE Executive Vice President
 Worldwide Feature Production
REID SULLIVAN Chief Financial Officer
PHILLIP VELLA Business & Legal Affairs Manager
DANA GOLDBERG Executive Vice President
 Head of Production



The making of *The Matrix Reloaded*

ATTENTION!
 Hollywood's leading independent Producer

Theme Parks



John Menzies

Chief Executive Officer
Warner Village Theme Parks

With over 30 years experience in the tourism industry, Mr Menzies has been the strategic leader in the development of Sea World, Warner Bros. Movie World, Wet 'n' Wild Water World, Sea World Nara Resort and Sea World Helicopters. Responsible for overseeing the management and operation of the parks he also specialises in the creation, design, and planning of critical attractions within the Warner Village Theme Park group.

John is a current Tourism Queensland board member.



1.



2.



3.

1. Warner Bros. Movie World, Lethal Weapon ride
2. Warner Roadshow Movie World Studios
3. Sea World Nara resort



4.



5.



6.



7.

- 4. Aerial view of Sea World
- 5. Calypso Beach, Wet 'n' Wild Water World
- 6. Scooby Doo Spooky Coaster, Warner Bros. Movie World
- 7. Polar Bears, Sea World

EXHIBIT A

Theme Parks

The theme parks division responded to a challenging year in the face of a significant international tourism downturn.

High profit margins were maintained through innovative marketing, and cost efficiencies without forfeiting the quality of in-park entertainment or service.

A number of marketing campaigns targeted the interstate and local markets which helped lift domestic attendances replacing depressed international tourism. The 'stay at home' attitude of Australians was a positive contributing factor.

Warner Bros. Movie World posted a sound result considering the international impact, introducing the *Harry Potter & The Chamber of Secrets Experience* for the Christmas holidays. The *Scooby-Doo Spooky Coaster* which opened in June 2002 continued to draw significant domestic visitors during the year.

Sea World's domestic numbers dropped slightly from the exceptional highs generated for two years by the Polar Bears, however the park still maintained significant increases over the pre Polar Bear period. Asian visitors however declined significantly in the second half due to the unprecedented world events.

Wet 'n' Wild Water Park remained resilient to the tourism circumstances as 90% of its admissions are local or from interstate and accordingly posted a better than expected year end result. The *Whirlpool Springs* attraction assisted greatly in not only providing a new marketing thrust but also assisting greatly in easing peak season queue times.

The theme parks' resilience is further amplified by the dedication of the entire staff who, when faced with such adversity, combine to reduce costs. Staff worked towards maintaining critical financial levels whilst putting that extra effort into making a guest's day their best experience ever.

Sea World Nara Resort was similarly challenged due to the world events, however innovative sales and marketing campaigns in local and interstate markets lifted room occupancies, albeit at a lower yield. The Resort outperformed other Gold Coast hotels due to its close association with our theme parks, particularly Sea World, and ended the year with a commendable result.

The Warner Roadshow Movie World Studios ended the year in excellent shape. The entire complex including the new sound stages were at peak utilization due to the almost year long production of *Peter Pan*.

There are clear signs that a recovery in overseas in-bound tourism is beginning to commence with some segments of international visitors starting to travel again. The theme parks are poised and ready with new and exciting attractions to re-establish the flow of visitors to the Gold Coast. At Sea World the world's largest shark lagoon is being developed to house a huge array of the world's largest and most feared sharks. *Shark Bay* will open in early 2004 and is expected to exceed the popularity of the very successful Polar Bears. In addition, a new interactive 4D film called *Planet SOS* has been introduced to replace the Pirates 4D experience which has been running for five years.

RATIONALE

Award winning theme parks



The Matrix Revealed exhibit, Warner Bros. Movie World

Warner Bros. Movie World opened *The Matrix Revealed* exhibit in September 2003. This stunning experience captures the fun and spectacle of *The Matrix* movies and management expect it will be a winner. The theme park continues to add to its array of movie entertainment with colourful street shows and parades and a strong year is anticipated.

Wet 'n' Wild will also open the second stage of the *Whirlpool* attraction in which riders in tubes will spin around an artificial whirlpool. This highly-promotable attraction will add to the now enormous variety of Wet 'n' Wild's attractions and rides.

All of these new attractions will be the subject of new highly innovative and creative marketing campaigns both in Australia and overseas.

Our theme park division is confident it can ride out the storm and be poised for an increase in profitability into the future.

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

CREATI

Radio

Austereo Group Limited completed the year having retained number one FM position in Melbourne and number one All People in every one of its other markets (ACNielsen Survey 4, 24 June 2003). Throughout the year, an Austereo station held either the number one All People or number one FM station place in each market, in every survey. Austereo reaches close to 6 million listeners per week demonstrating Austereo's strength in this media sector; and achieved various industry awards for both community service activities and for broadcasting talent and expertise.

Austereo Group Limited remains an important division for the Village Roadshow group, delivering a sturdy and profitable result for the financial year. Through an accomplished management team, remarkable brand identity, and the strength of two national radio networks, Austereo is well-positioned to remain a leader in the Australian radio industry and to remain as an integral division for the Village Roadshow group.

Similar to the previous year, Austereo and the Australian media industry faced various challenges, including new radio licences, increased competition, and the overall reduction of advertising expenditure across all media sectors. Despite this, the division reported a solid after-tax profit. This result demonstrates the resilience of Austereo in the face of adverse external factors and strong competition.

Austereo met these challenges with increased vigour via strategic management practices to ensure long-term sustainability. During the year under review, these practices included:

- Changes in management structures to reflect the company's strategic direction, and exiting from non-performing revenue streams;
- Consistently reviewing and assessing each station's programme format, relevance and marketability in each core market in which it operates;
- Continuing to build on each station's brand equity; and
- Delivering innovative and successful sales and promotion techniques for clients, including campaigns for local and national markets.

Throughout the year, Austereo's international radio operations reported strong results from its three operating territories, Greece, Malaysia and the UK. In Malaysia ERA FM holds a weekly reach of 5.6 million people which equates to more than twice its nearest competitor; and the five Malaysian Austereo joint venture stations collectively held a combined reach of over 8 million people nationally per week. In Athens, Greece, Village 88FM holds number one position in the target 13-24 demographic and achieved an increase in sales of 60% year on year.

The division's international strategy to broaden opportunities offshore is proving another successful strategy in long-term sustainability and diversification of revenue streams.

Austereo met the advertising industry downturn in its second year armed with the knowledge and experience of pursuing innovative sales strategies and the reduction in overall operating costs.

VITV

Leading FM radio

This advertising down-turn is poised to take some time yet to regain sustained momentum, confirming the cyclical nature of the advertising industry.

The other significant challenge Austereo continues to face, are the new licences issued by the Australian Broadcasting Authority with the requirement to achieve programming diversity. Since those new licences have begun broadcasting, most have closely mirrored the very successful Today and/or Triple M Network's format.

Austereo is truly a leader in it's field. The increased competition in a weakened advertising market, placed an increased emphasis on Austereo's capacity for innovative and creative programming together with proactive sales and marketing techniques. The outcome was that Austereo increased it's audience share figures, including the 18-24 segment lifting from 42.9% to 46.2% and the 25-39 segment increasing from 38.9% to 39.3% in the final Survey of the period.

The radio division remains active in the community, with its 'Live and Local' broadcasting philosophy. Austereo donated close to 900 hours in Community Service Announcements, and the National Kids Help Line Radiothon received over \$200,000 for the cause. In Brisbane, the B105FM's Royal Children's Hospital Christmas Appeal raised \$700,000 - this extraordinary effort went on to win the Queensland Government Corporate Award for Commitment to Community Partnerships as well as the Winner Best Community Service Project. The Newcastle stations also contributed over \$1.2 million in airtime to community events and charity organisations through their Community Switchboard and on-location community broadcasts.

Austereo received numerous industry awards and nominations throughout the year. In Melbourne, Triple M Football was awarded the Australian Football Association's Annual Award for best radio sports program; and in Adelaide a staff member won the Commercial Radio Award for Engineering Excellence.

Austereo is demonstrating resilience, creativity and resourcefulness, as it continues to lead the commercial radio industry through a period of exceptional change.

PETER HARVIE Executive Chairman
MICHAEL ANDERSON Chief Executive Officer
BRIAN BICKMORE Managing Director
Corporate Development and International Media
JEFF ALLIS Group Program Director
KATHY GRAMP Chief Financial Officer
GAY WALLACE Group General Manager
Legal and Strategic HR
DES DECEAN Director Engineering and IT
GARY PERT Group Director Sales
HELEN DAVIES Group Director Promotions



Cinema Exhibition

Cinema remains a popular choice as an entertainment destination. The movie-going momentum continued to build throughout the year, with admissions slightly higher than the previous year. This resulted in total box office revenue (in continuing territories) of \$880 million and candy bar revenue of \$242 million, resulting in Village Roadshow's share of cinema EBITDA increasing to \$85 million from \$83 million the previous year.

Village Cinemas entertained 74 million customers around the global circuit, a testament to quality film product, clever marketing initiatives, and a strategic management and customer-service model consistent at all sites.

This result would have been even better were it not for the SARS epidemic affecting cinemas in Asia, and the devastating floods in Prague.

The year saw a consistent flow of quality film product which was the key driver in our admissions growth. Lead by Village Roadshow's own *The Matrix Reloaded*, which broke records in all of our territories, the line up included *Austin Powers In Goldmember*, *Harry Potter and the Chamber of Secrets*, *Lord of the Rings - The Two Towers*, *Chicago*, *My Big Fat Greek Wedding*, *Two Weeks Notice*, *James Bond: Die Another Day* and *8 Mile*.

Admissions growth was achieved across the division mainly due to Singapore, up 11% and Argentina, up 15% (however despite record attendances, the current exchange rate continues to be a damper on profitability of the Argentina circuit).

Village Cinemas confirmed its reputation of creating unique cinema destination experiences, with the launch of the huge **max™** screen concept at Knox (Melbourne). Since Village Cinemas opened the Gold Class Cinema and Cinema Europa concepts, the company has been at the forefront of setting industry benchmarks worldwide – and **max™** is no exception. **max™** is the largest indoor conventional screen in the southern hemisphere (750 seats, 28 square metre screen), and has quickly become the first choice to see the big movies at for maximum impact in vision and sound quality.

The Company plans to roll-out the **max™** concept in most new developments and refurbishments, as the concept has developed as a brand and an attraction in its own right. The experience of watching the latest blockbuster in a packed house on the big screen is a memorable occasion, and an experience on which the Company models the whole entertainment destination concept moving into the future.

Village Cinemas' innovative approach led to the alliance with Manchester United Football Club for its site in Manchester re-launched as the first *Red Cinema*. This marketing-lead mindset was further demonstrated during the year with the opening of three outdoor cinemas in Greece under the *Village Cool* brand, as well as the division's deepening relationships with our key brand alliances.

DESTIN

Cinemas of the future

During the year, the division launched successfully two new cinemas, in Knox (Melbourne) – which has set a new international benchmark for cinema style and design – and St Lukes (Auckland). Both sites have opened to admission levels which are exceeding expectations.

Other sites opened during the year – Hsin Chu (Taiwan), Andel City (Prague) and Naples and Florence (Italy), were below expectations but admissions are expected to build.

The capital expenditure program for the division has reduced considerably with new sites opening mainly in Taiwan and Italy, which can be funded from operating cash flow of the division.

The restructuring of the division has continued during the year with the sale of our joint venture circuits in Korea and the United Kingdom.

The acquisition of additional equity in our Australian multiplex joint venture from Warner Bros. (taking ownership to 50%) has further simplified the division's structure and increased our ownership share of the Australian market. While there remains some way to go before the restructuring and rationalisation program is complete, the division is now more closely aligned to our strategic objectives with our principal focus being on improving profitability and returns.



The Matrix Reloaded at Village Gold Class Cinemas

The movie line up for 2004 looks set to continue the strong and consistent trend that we have experienced over the last two years, including:

- the eagerly awaited final instalments of *The Matrix* and *Lord of the Rings*, in addition to a further instalment of *Harry Potter*;
- new quality titles including, *Love Actually*, *The Last Samurai*, *Looney Tunes Back in Action*, *Finding Nemo*, *The Pirates of the Caribbean*, *The Missing*, *Peter Pan* and *Shrek 2*.

With the division's rationalisation in its final stages, the focus going forward will be on cinema operations and customer service excellence. The division will build on its cinema and movie marketing skills to maximise the profitability and returns from its circuits which have market leading positions in their respective countries.

CHRIS GALLAHER Chief Executive Officer

HARRY ANTONOPOULOS Managing Director Greece

STEVE KAPPEN Managing Director Taiwan

KENNETH TAN Managing Director Singapore

JOHN IOZZI Managing Director Australia

EDUARDO NOVILLO ASTRADA Managing Director Argentina

TOMAS PALICKA Managing Director Czech Republic

ANTONIO MALDONADO Managing Director Italy

JOE MOODABE Managing Director New Zealand

KIRK SENIOR Chief Financial Officer

FEDERICA NICOLAO Director Retail

MICHAEL MCKEON Director International Sales & Marketing

DAVID GLASS Managing Director Village Roadshow Leisure

CHRIS JOHNSTONE Director Design & Development

ATTENTION:

INNOW

Film Distribution

Cinema Distribution

Roadshow Film Distributors enjoyed another successful year in cinema distribution. As with last year, the key drivers of theatrical box office success included *Lord Of The Rings: The Two Towers* and *Harry Potter And The Chamber Of Secrets*, which both performed exceptionally well in Australia and New Zealand.

Other key performers included *My Big Fat Greek Wedding*, *Austin Powers In Goldmember* and *Two Weeks Notice*.

The performance of *Crackerjack* was particularly pleasing, being the highest grossing Australian film in the past twelve months. Additional Australian releases included a strong performance for *Fat Pizza*, based on the cult television series.

The financial year finished with an outstanding performance from the second instalment of *The Matrix* – *The Matrix Reloaded* released in May 2003 grossed to date over \$33 million in Australia. This truly outstanding result will be complemented with *The Matrix* trilogy concluding with the theatrical release of *The Matrix Revolutions* in November 2003.

Key supplier relationships continue to underline the backbone of the release slate – these relationships include Warner Bros., New Line and Village Roadshow Pictures. These suppliers delivered new entries from some of their strongest franchises during this period and the diverse line-ups from these major suppliers will continue to dominate the release slate for the coming year.

Key titles will include the final film in the *Lord Of The Rings* trilogy (*The Lord Of The Rings: Return Of The King*) from New Line, *The Last Samurai* and *Harry Potter And The Prisoner of Azkaban* from Warner Bros., and *The Matrix Revolutions* from Village Roadshow Pictures.

Home Entertainment

Roadshow Entertainment achieved a record result, with strong gains from the rapidly expanding DVD sector. Whilst the pre recorded video market has now commenced its anticipated decline in the face of the DVD market growth, it has remained as a valuable revenue source contributing 35% of total revenue for the year. A 64% increase in the division's DVD sales contributed to this year's result and will provide the basis for another positive result in the year ahead.

The DVD and video release of the first instalment of *Lord of the Rings* set a new industry benchmark in value from one title. The second and third films from this valuable franchise will be released over the next two years with similar results anticipated. Outstanding content assisted this year's achievement including *My Big Fat Greek Wedding*, *Austin Powers In Goldmember*, *Two Weeks Notice*, *Ali* and *Crackerjack*. The strength of this programming coupled with the increased penetration of DVD hardware into Australian homes – now at over 45% of homes – assisted in a result on the Roadshow label that was up 46% on the previous year. Further positive news is the sustained growth achieved in recent years through key distribution arrangements with ABC Enterprises and BBC Worldwide, delivering a 13% increase from the ABC catalogue and 25% on the BBC catalogue.

ATTENTION!

Setting industry benchmarks

Television

Roadshow Television continues to be the powerhouse distributor of feature film product to Australian and New Zealand television.

The division's output is seen through the premier Free To Air broadcasters Nine Network in Australia and TVNZ in New Zealand under long-term supply agreements cemented over the last year.

Subscriber growth is now being achieved in Roadshow Television's joint venture with Hollywood studios Warner Bros., Disney and MGM in the Pay TV broadcaster The Movie Network. Since debuting on the Foxtel platform new subscriber signings for The Movie Network have been above projections reaching over 20% of the total Foxtel subscriber base in only 6 months.

Roadshow Television remains a key supplier to New Zealand's SKYTV Pay and Pay Per View services with new long-term deals with this broadcaster also concluded in the financial year.

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