

Our Business

Founded by Roc Kirby, Village Roadshow first commenced business in 1954 in Melbourne Australia and has been listed on the Australian Stock Exchange since 1988. Still based in Melbourne, with operations on five continents, Village Roadshow is a leading international entertainment and media company with core businesses in Cinema Exhibition, Theme Parks, Radio, Film Distribution and Film Production.

Each of these businesses are well recognised retail brands and strong cash flow generators; together they create a diversified portfolio of media and entertainment assets.

Village Roadshow's assets include:

- **Village Cinemas** with an international circuit of state of the art complexes in 10 countries across Australasia, Europe, Asia and Argentina with over 1,100 screens at 130 sites, together with a strong film distribution presence in Singapore and Greece
- Australia's most popular theme parks on Queensland's Gold Coast: **Warner Bros. Movie World**, **Sea World** and **Wet 'n' Wild Water World**
- A majority shareholding in the Australian listed **Austereo Group Limited** which owns and operates Australia's leading FM radio networks, **Today FM** and **Triple M**
- **Roadshow Films**, Australasia's largest independent film, video and DVD distribution business
- **Village Roadshow Pictures**, Hollywood's leading independent production business based in Los Angeles with blockbuster hits including *The Matrix* trilogy, *Ocean's 11* and *Miss Congeniality*

Film Production:

Village Roadshow Pictures has amassed an impressive library of 37 films.

Our share of global box office has reached nearly

US\$ 2.5 billion

Film Distribution:

The DVD market in Australia exceeded \$1 billion in 2004.

Roadshow is Australia's number one distributor with DVD sales to June 2004 up

76%



Radio:

Austereo continues to be the most successful capital city radio network.

Advertising revenue share in the metropolitan market in excess of

40%

Theme Parks:

With focused marketing and new attractions such as Shark Bay, profitability is steadily growing.

Visitation levels have grown 10% to

3.4 million admissions

3.4 million admissions

Cinema Exhibition:

Over 1,100 screens at 130 cinema sites globally.

Village Cinemas' share of underlying EBITDA* was nearly \$80 million, up

49%



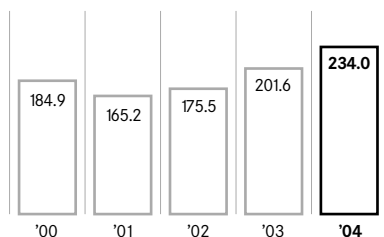
* Excluding Warner Village UK, sold May 2003

Financial Summary

	2004	2003	% Change
\$M (UNLESS SHOWN OTHERWISE)			
Reported EBITDA excluding specific items and discontinuing operations	234.0	201.6	16.1
Pre tax profit (loss) from continuing operations – including specific items	110.8	(23.3)	
Pre tax profit from continuing operations – excluding specific items	115.7	103.8	11.4
Less			
Tax expense, excluding tax on specific items	(30.4)	(24.4)	24.8
Outside equity interests	(16.8)	(18.3)	(8.9)
Attributed profit after tax, before specific items and discontinuing operations	68.5	61.1	12.2
Net specific items and discontinuing operations	(16.3)	(87.1)	
Net profit (loss)	52.2	(26.0)	
Total parent interest in equity	826.6	957.3	(13.7)
Total earnings per share before specific items and discontinuing operations (total shares) (cents)	15.00	12.55	19.5
Return on average equity (%)	8.41	6.97	
Net tangible assets per share (\$)	2.18	1.81	20.4



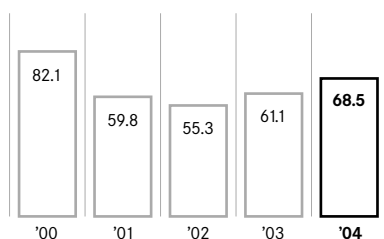
Chairman and Managing Director's Review



Earnings (\$ million)

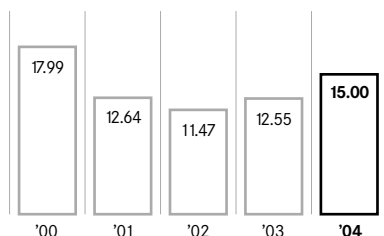
(Reported EBITDA excluding specific items and discontinuing operations)

- Cash flow generation remains solid
- 16.1% growth over year



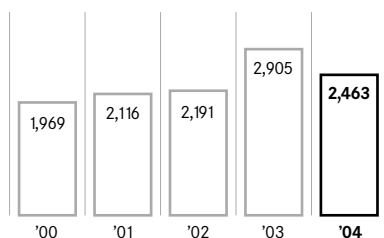
Profit after tax before specific items and discontinuing operations (\$ million)

- 12.2% growth over year



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

- 19.5% growth over year



Total Assets (\$ million)

- High quality asset base
- 15.2% reduction over year, mainly due to significant fluctuations in Film Library assets (and corresponding liabilities)



To our shareholders,

Village Roadshow Limited recorded a net profit after tax, specific items and discontinuing operations of \$52.2 million for the 2004 financial year. This result compares to a full year loss in June 2003 of \$26.0 million. Excluding specific items and discontinuing operations, operating profit after tax was \$68.5 million, representing an increase of 12% over the prior full year result of \$61.1 million.





The release of *The Matrix Revolutions* in November 2003 and the performance of *Mystic River* were the highlights of the year for Village Roadshow Pictures.

The Cinema Exhibition and Film Distribution divisions had exceptional trading results thanks to strong product and marketing initiatives. Product during 2004 included *The Lord of The Rings: The Return of the King*, *Harry Potter and the Prisoner of Azkaban*, *The Matrix Reloaded* and *The Matrix Revolutions*. Exhibition also saw the release of *Shrek 2* in the period.

The Theme Park division achieved a strong increase in attendances over the 2003 financial year. International markets are continuing to recover after the devastating SARS outbreak last year and the domestic market continues to grow.

Austereo's share of advertising revenue from the metropolitan market continued to exceed 40%, maintaining its market leadership. Austereo achieved an EBITDA margin of 32%, retaining its position as one of the world's best performing radio groups.

The Film Production division was impacted by the restructure in February 2003 resulting in the elimination on consolidation of a portion of film production fees previously recognised as income. This was in a year in which only four films were released however they included the highly successful *The Matrix Revolutions* and the Academy Award winning *Mystic River*.

The Company achieved several major capital initiatives in the year. These included:

- During the year the Company bought back 140,086,114 A Class Preference shares at a total cost of \$169.0 million. This resulted in 110,129,033 A Class Preference shares remaining on issue.

- During the year the Company bought back 484,203 ordinary shares at a cost of \$0.9 million. Since 30 June 2004, the Company bought back a further 23,005,797 ordinary shares at a total cost of \$45.3 million. This resulted in 211,413,107 ordinary shares remaining on issue.

The combined ongoing after tax cost of cash utilised by the Company in these buy backs will be approximately \$8 million per annum.

- Financing arrangements for the Film Production division were completed during the year. The revolving period of the US\$900 million facility was extended for a further two years, allowing drawdowns up until February 2008, with the debt now scheduled to be fully repaid by January 2012.
- In March 2004, the Company sold its one third interest in screen advertiser, Val Morgan, for \$6 million plus working capital and an additional amount if certain criteria are met. The additional consideration has not been reflected in the results.

The Company's balance sheet remains robust with gearing ratios (excluding Film Production's non-recourse debt of \$815 million) of less than 30%.

Normalised Earnings per Share improved significantly on the prior year as a result of the return to operating profit and capital restructuring. EPS on all shares; i.e. both preference and ordinary, for 2004 was 15.0 cents compared to 12.6 cents in the prior financial year, after excluding specific items and discontinuing operations.

On 26 August 2004, the Company announced that it would not declare a dividend on both the preference and ordinary shares for the year ended 30 June 2004.





FILM PRODUCTION

Operating profit before tax and specific items for the Film Production division reduced from \$11.0 million to a \$0.8 million loss.

In part, this was due to the restructure of the division in February 2003, resulting in the elimination on consolidation of a portion of film production fee income, and an increase in interest expense on capital invested.

The division released four films during the financial year compared to our target of six to eight. This was mainly due to the two sequels of *The Matrix* being released in May and November 2003. The release of *The Matrix Revolutions* in November 2003 and the performance of *Mystic River* were the highlights of the year for Village Roadshow Pictures. *Mystic River* performed exceptionally well, winning both Academy Awards and Golden Globes for Best Actor (Sean Penn) and Best Supporting Actor (Tim Robbins).

Financing arrangements were completed satisfactorily during the year. The financiers have agreed to extend the revolving period of the US\$900 million facility for a further two years, allowing drawdowns up until February 2008, with the debt now scheduled to be fully repaid by January 2012.

The underlying performance of the film portfolio remained in profit despite disappointing results from *Torque*, *Taking Lives* and *Catwoman*. Film exploitation profits of \$A18.9 million have been recognised in the June 2004 financial year. It is expected that modest film profits will be recognised in 2005, however this is dependent on future films performing to expectations.

Looking ahead to the next 12 months, films set for release, or in production include *Ocean's Twelve*, the highly anticipated sequel to *Ocean's Eleven*, which we expect will be one of the biggest event movies of the year. Other films in production include *Miss Congeniality 2: Armed and Fabulous*, *Constantine* and *House of Wax*. *Charlie and the Chocolate Factory*, another highly anticipated film, has commenced principal photography and stars Johnny Depp as Willy Wonka. This film is expected to be released in July 2005.

THEME PARKS

Operating profit before tax for the Theme Parks division was in line with the prior year with both years reporting a profit of \$11.5 million. For the 2004 financial year, this was a result of the equity accounting treatment for associated entities rather than trading conditions. Reported EBITDA was higher, from \$20.8 million in the previous year to \$24.0 million. Trading at the theme parks has been strong and only slightly offset by reduced trading at the Studios.

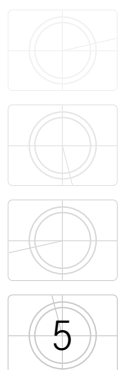
Theme park attendance levels grew 10% to 3.4 million, which was largely due to a successful domestic marketing campaign. The international market remained slightly soft for the theme parks with most Asian markets slowly returning after the devastating SARS outbreak last year.

Warner Bros. Movie World maintained attendance levels compared to the previous corresponding year, yet was able to achieve a 15% increase in operating profit through effective control of overheads. *The Matrix* exhibit was opened in September 2003.

Sea World attendances were up 10% due to the opening of *Shark Bay* in April 2004 and net profit was significantly higher due to cost reductions.

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Austereo's share of advertising revenue from the metropolitan market continued to exceed 40%, maintaining its market leadership.

Wet 'n' Wild Water World achieved admissions growth of 11% and an increase in profitability of 17% over last year's result. This was driven by a surge in local visitors with the 'stay at home' attitude of Australians cultivated from last year's SARS crises.

Sea World Nara Resort achieved an excellent result with growth of 5% in the room rate and occupancy at 73% compared to 64% in the previous year. Strong occupancy rates were achieved as a result of higher domestic visitation and last year's refurbishment program.

Warner Roadshow Movie World Studios had a disappointing result due to the level of rentals of the stages largely as a result of the higher \$A. This was reflected in a 69% drop in profitability, however the Studios currently have a number of active productions. In June 2004 the Studios suffered a major fire in one of its eight sound stages. The fire destroyed the stage, but rebuilding has commenced and it is expected to be fully functional by early 2005.

RADIO

The Austereo network continues to be the absolute leader in Australian radio and achieved an advertising revenue share in the metropolitan market in excess of 40%. The Group exceeded sales budgets, lifting sales revenue ahead of the previous year to \$240.4 million, demonstrating that it has taken the introduction of new licences in its stride.

Operating profit before tax and specific items was marginally down (3.9%) on the previous corresponding period to \$60.4 million, with reported EBITDA at \$78.9 million to 30 June 2004 versus last year at \$83.1 million. This reduction is primarily due to costs associated with programming redirection and brand building. The 2005 year is off to a strong start, with the September quarter exceeding budget.

Austereo's joint venture operations in Canberra and Newcastle both set new sales and profit records for the year, whilst our offshore ventures in Malaysia and Greece continued to trade well.

We pay tribute to our new CEO Michael Anderson who, together with Chairman Peter Harvie and Program Director Jeff Allis, have now proven to be a very resilient radio team in both Australia and offshore.

During the period Village Roadshow's shareholding in Austereo marginally increased to 59.91%.

CINEMA EXHIBITION

Profit before tax, excluding discontinuing items, of \$28.1 million was an increase of 134% over the previous year's result of \$12.0 million.

In Greece and Singapore the Company has a dominant presence and achieved very strong trading results. Expansion opportunities are also well advanced in both countries.

Village Cinemas enjoyed a year with some outstanding films including *The Matrix Revolutions*, *Shrek 2*, *The Lord of the Rings : The Return of the King*, *Finding Nemo*, *Harry Potter and the Prisoner of Azkaban*, *Pirates of the Caribbean*, *Troy*, and *The Day After Tomorrow*.

Excluding Warner Village UK from the 2003 result (which was sold in May 2003), the current period underlying EBITDA of \$79.7m was 49% higher than the previous period. Reported EBITDA was less impacted by this sale due to the equity accounting treatment for associated entities. On a like for like basis, for those sites open for the full year, the increase in admissions was 3% over the prior period.





Negotiations continue for the sale of the Taiwan joint venture with a number of open offers having been received. If an agreement is reached in respect of such a sale, it is not expected to have any material effect on the 2005 financial year's assets or earnings.

The Company's Greek film distribution business achieved record results including the production and release of *A Touch of Spice* – now the industry's most successful Greek film.

FILM DISTRIBUTION

Roadshow Films had an excellent result for the year ended 30 June 2004 with profit before tax and significant items increasing by 56% from \$9.3 million to \$14.5 million.

This increase has been driven by the outstanding results achieved with the *The Lord of the Rings* and *The Matrix* franchises. Roadshow Entertainment enjoyed a year of unrivalled strength of product. DVD sales were up 76% compared to the same period last year. Roadshow is currently the number one distributor in the DVD arena with a 15.8% market share.

CAPITAL MANAGEMENT

During the year, the Company embarked on a restructure of its issued capital. Following the unsuccessful attempt to complete a scheme of arrangement to buy back all of the A Class Preference shares, the Company completed a series of successful on-market buybacks of both preference and ordinary shares. The amount spent approximately equalled the payment that would have been required in the first year had the proposed scheme of arrangement been implemented.

In addition the Company has called a shareholders' meeting for 8 October 2004, enabling shareholders to vote to approve a proposal authorising the Company to buy back an additional 20% of the issued ordinary share capital.

The objectives of these capital management initiatives are to assist in having the Company's underlying value being more appropriately reflected in the share market prices of both the ordinary and preference shares and ultimately to enable the resumption of dividends on a reasonably consistent basis.

As announced on 24 September 2004, the Company also sold its 50% interest in the mall advertising business Eye Shop to its joint venture partner Network Ten for \$14.9 million, realising a pre-tax profit on sale of \$7.7 million.

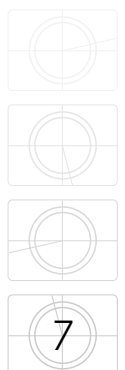
With this capital management, together with the strengthening of Austereo's key stations, the restructuring of the Cinema Exhibition and Film Production divisions, the excellent performance from the Film Distribution business and the organic growth opportunities within the Theme Parks division, we believe your Company is in a good position to deliver growth in shareholder value into the future.

Robert G Kirby

Chairman

Graham W Burke

Managing Director



Cinema Exhibition



“Great movies on their own don’t deliver the box office performances that were achieved across all of our territories; innovative marketing is the key to superior performance.”

The benefits of the restructuring and reorganisation of the **Village Cinemas** division are now really beginning to materialise.

With a premium circuit, a dedicated focus on innovative marketing and excellent film product during the year, the division proved its popularity as a favourite entertainment destination and produced a robust result; admissions were up 3% on the previous year, gross box office revenues of \$647 million up 1% and candy bar revenues of \$176 million, up 7%. Excluding the result from the Warner Village UK circuit which was sold in May 2003, our share of EBITDA from continuing territories increased by 49% to \$79.7 million.

A continued flow of excellent movies was a key contributor to the division’s success, enabling us to entertain more than 76 million customers in our 130 cinemas around the world.

Outstanding box office performances from movies such as *The Lord of the Rings – Return of the King*, *Finding Nemo*, *Shrek 2*, *Harry Potter and the Prisoner of Azkaban*, *Pirates of the Caribbean*, *Troy*, and *The Matrix Revolutions*, drove the movie-going habit and the result.

Annual admissions growth was driven primarily by strong performances from Argentina, up 14% in a very difficult economic environment; Taiwan, up 21% on a SARS impacted 2003; our remaining UK circuit, up 8%, and solid performances from Greece, Italy, Singapore and New Zealand.

In Australia, our home country, EBITDA increased due to the increased share of the Multiplex joint venture, having moved from a one-third to 50 percent share in March 2003. It is very pleasing to record that, together with our partner Greater Union, we have eight of the top ten cinema sites in the country.

Modest growth in new sites in our core territories continued during the year with new sites opened in Italy (Parma) and Taiwan (Hsin Chu Windance) and Bondi (Australia) in July 2004. Both Parma and Bondi have opened to our anticipated

admission levels while Hsin Chu Windance is taking more time to build.

Great movies on their own don’t deliver the box office performances that were achieved across all of our territories; innovative marketing is the key to superior performance.

From the Christmas gift pack promotion in Australia, to telecom sponsorship partnerships in a number of our territories, the continuous building of our own Village, Gold Class, Cinema Europa and **max™** brands, Village Cinemas continues to be a marketing driven and customer service focused business.

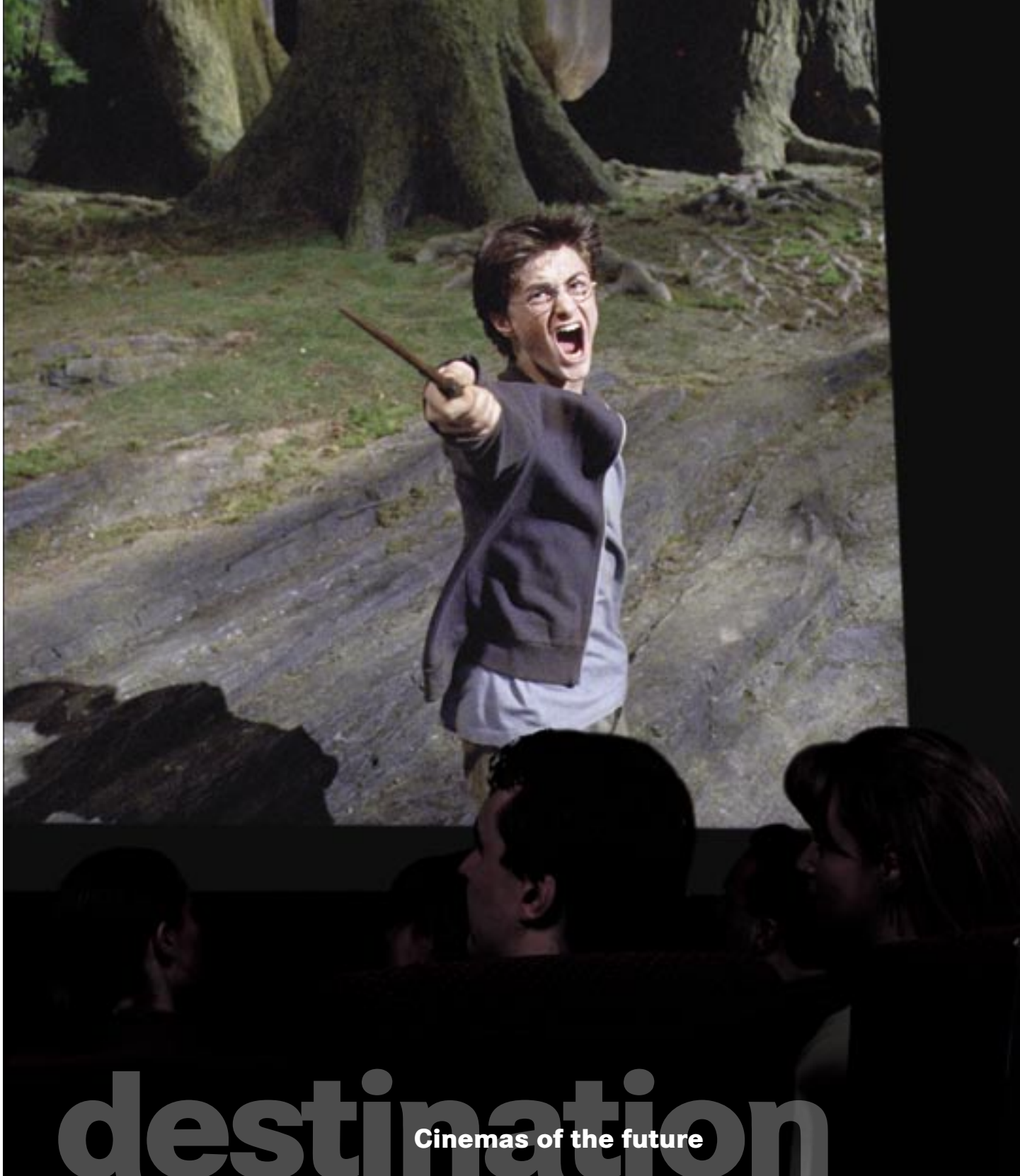
In addition we have begun exploring the potential of our cinemas as venues for alternative content entertainment and during the year have successfully run events such as WWE Wrestling, a live international concert for cinema by David Bowie and a Quicksilver snowboarding event. The success of these events gives real meaning to our cinemas being the primary entertainment destinations for their local communities.

Following the profitable sale and exit from our shareholding in Val Morgan (the Australasian screen advertising company) and the sale of our joint venture cinemas in Western Australia (Joondalup and Whitford), the restructuring of the division is well advanced. As a result our circuit has been consolidated with a structure that is now simplified and settled.

Following the restructuring of the business over the last few years, we now have an extremely strong global circuit. In all continuing territories apart from the UK and the Czech Republic, our circuits are market leaders, holding the number one or number two positions in each of these markets with well located sites that are true entertainment destinations.

Our future focus will be on improving profitability and returns through continued innovative promotion of our films and venues as well as maximising synergies and efficiencies with our joint venture partners.





destination

Cinemas of the future

The 2005 financial year is off to a strong start at the box office led by *Spiderman 2*. Despite the absence of some of the major franchise films in recent years, such as *The Lord of the Rings* and *Harry Potter*, the balance of the year includes expected block busters with titles such as *Ocean's 12*, *The Incredibles*, *Meet the Fockers*, *Mission Impossible 3*, *Bridget Jones 2*, and *Star Wars Episode 3*.

- CHRIS GALLAHER Chief Executive Officer, Village Cinemas
- KIRK SENIOR Chief Financial Officer, Village Cinemas
- JOHN IOZZI Chief Operating Officer, Village Cinemas
- CHRIS JOHNSTONE Director Design & Development, Village Cinemas
- FEDERICA NICOLAO Director Retail, Village Cinemas
- JORDANA JENSEN Marketing Manager, Village Cinemas
- DAVID GLASS Managing Director, Village Roadshow Leisure
- DAVID SALT General Manager, Village Roadshow Leisure

- HARRY ANTONOPOULOS Managing Director, Village Cinemas Greece
- EDUARDO NOVILLO ASTRADA Managing Director, Village Cinemas Argentina
- JOE MOODABE Managing Director, Village Sky City Cinemas, New Zealand
- KENNETH TAN Managing Director, Golden Village Cinemas, Singapore
- STEVE KAPPEN Managing Director, Warner Village Cinemas, Taiwan
- ANTONIO MALDONADO Managing Director, Warner Village Cinemas, Italy

Theme Parks



“Theme park attendances and resort occupancy increased due to new attractions and successful marketing to the domestic market.”

The division performed exceptionally well for the year delivering overall admissions growth of 10% and reported EBITDA growth of 15% to \$24 million.

Theme park attendances and resort occupancy increased due to new attractions and successful marketing to the domestic market. The ‘holiday at home’ attitude of most Australians due to last year’s overseas events continued to have a positive effect on Gold Coast tourism. Initiatives to contain costs also contributed greatly to the year’s overall results.

Shark Bay at **Sea World**, which opened in April 2004, has been an outstanding success and contributed towards a significant lift in attendances in the last three months of the financial year. *Shark Bay’s* Animal Adventure Programs where guests can snorkel or scuba dive with the smaller sharks and reef fish also provided a new earnings stream for the park. In addition, *Planet SOS*, a new 4D film presentation, opened at Sea World during the year to rave reviews.

These two new attractions were instrumental in attendance growth and for the first time in Sea World’s history domestic attendances topped one million guests.

Warner Bros. Movie World also achieved an excellent result climbing back from a challenging 2002 year and posting a 15% profit increase mainly due to the success of the new *Matrix Revealed* exhibit and exceptional cost control. Warner Bros. Movie World’s array of movie based ride and show product combined with colourful street presentations creates an unparalleled package of family fun not available anywhere else in the country.

Wet ‘n’ Wild Water World continues to grow, increasing returns for the year and producing record numbers. Visitors exceeded 800,000 patrons for the first time – this exceptional result was boosted by an increase in interstate visitors rediscovering the Gold Coast.

Sea World Nara Resort also posted outstanding results with growth of 5% in the room rate and its occupancy increasing from 64% last year to 73%.

A focused marketing strategy incentivising visitors to choose the refurbished resort and Sea World has been most successful. Increased international business, particularly from South Korea has also contributed to the result. Once again the resort has outperformed competitive Gold Coast hotels due to its close connection with our theme parks.

The **Warner Roadshow Movie World Studios** results unfortunately were below expectations for the year after coming off a significant high with the production of *Peter Pan* in the previous financial year. Some productions were cancelled due to increased production costs in Australia exacerbated by the rising Australian dollar and further incentives offered by competing countries. The only major production to rent studio space was *House of Wax* which commenced just prior to the end of the financial year. Immediately prior to year end, Sound Studio 8 was destroyed by fire during filming of this production. However, the Studio’s insurance totally covered this loss and production continued utilising one of the other seven sound stages.

The division introduced a new business during the year called **Paradise Country**, an Australian country and farm experience featuring horse and farm animal demonstrations, sheep shearing shows, koalas, kangaroos, other Australian animals and a BBQ lunch. Paradise Country now operates adjacent to Warner Bros. Movie World and is aimed at the pre-booked international market.

During the coming year, a number of exciting new attractions will be opening at our parks. Wet ‘n’ Wild will be opening a new version of *Buccaneer Bay* in September 2005 which is designed to significantly upgrade the popular small children’s area adding an array of wet play structures.

At Warner Bros. Movie World a new attraction will be added to the exciting entertainment list. A number of ride options are being considered but all will deliver a unique experience not to be found elsewhere in Australia. The new attraction will be opened prior to Christmas 2005.





exhilaration

Award winning theme parks

Work has commenced on a separately gated night-time attraction called **Australian Outback Spectacular**. This is an exciting arena show featuring horses and stockmen, exciting music and special effects which will bring the magic of the outback to our Gold Coast visitors. This attraction will open in late 2005.

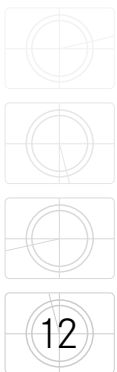
These new initiatives are part of the division's strategy to drive attendances from the domestic market and increase the international appeal of the Gold

Coast. The Company's significant advantage in the cross marketing and packaging of these new attractions results in considerable economies of scale and will be instrumental in our theme park division achieving further profitability gains in the coming year.

In addition Theme Park management continues to investigate opportunities for involvement in international theme parks.

- JOHN MENZIES Chief Executive Officer, Warner Village Theme Parks
- GRAHAM McHUGH Chief Financial Officer, Warner Village Theme Parks
- STEVE PEET Chief Operating Officer, Warner Village Theme Parks
- KEN MINNIKIN Director of Marketing, Warner Village Theme Parks
- ERNST PFISTER General Manager, Sea World Nara Resort

Theme Parks continued





1. Aerial view of Warner Bros. Movie World
2. Looney Tunes Spooky Coaster, Warner Bros. Movie World
3. Whirlpool, Wet 'n' Wild
4. Aerial view of Wet 'n' Wild
5. Aerial view of Sea World
6. Corkscrew, Sea World

Radio



“During the year the Company has focused on building stronger station brands and restructuring the organisation to achieve greater efficiencies, thereby making the radio division even stronger and more resilient.”

During the year the Company’s listed subsidiary, **Austereo Group Limited**, maintained its position as the most successful capital city radio group.

In the final audience survey of the financial year *, Austereo achieved 42% of the under 40 audience; 30.6% of the 25-54 segment, and 38.5% of the prime 25-39 demographic. Austereo also enjoys a significant audience in older demographics.

While Austereo’s audience share was influenced by increased competition, the radio division consolidated well, demonstrating its underlying strength with only marginal concessions in the key audience demographics, between the final surveys of the 2003 and 2004 financial years.

The radio industry advertising recovery continued, with a capital city growth of 11.7% for the year. Austereo exceeded sales budgets, lifting sales revenue ahead of the previous year to \$240.4 million.

The marginal decline in our sales share was controlled by strong performances and cross-platform initiatives. The market share for the year continued to remain in excess of 40% – a reasonable outcome, given the exceptional market conditions.

During the year the Company has focused on building stronger station brands and restructuring the organisation to achieve greater efficiencies, thereby making the radio division even stronger and more resilient.

During the year, Austereo management focused on the regeneration of the iconic **Triple M Network**. After a major creative overhaul Triple M has delivered significant early results, with the promise of even further achievements. In Sydney’s final audience survey**, the station improved over the previous year’s survey, jumping from seventh place to fourth (all stations), and was also the second highest rating FM station. In Melbourne**, Triple M rose from fifth to second (all stations), and also achieved the number one FM position. This re-growth was achieved through exciting new programs attracting a new and broader audience base.

Following this successful operation, the division’s major focus for the year ahead will be on the **Today Network** stations, each of which is a long-standing successful brand in its respective city.

Austereo’s joint venture radio operations in Canberra and Newcastle enjoyed a successful year, with record sales results in both markets, and the achievement of top audience positions.

Austereo has been operating for some years in offshore radio markets. In the past year the Malaysian venture continued to grow. In Survey 2, 2003, a total audience of 8,741,000 was achieved. The total listening share of people 12+ was 45.4%, and the share of all radio revenue now exceeds 70%. The stations include the number one English, Bahasa and Chinese broadcasters.

In Greece, Village 88 has become Athens’ leading international station and the city’s third ranking music broadcaster. Sales increased over the previous year, and we anticipate even greater audience and sales growth in the year ahead.

In the UK, the performance of UKRD, in which Austereo has a small strategic investment, improved with total revenues increasing 14% from the previous year.

The joint ventures with mcm entertainment and Simon Richards Group produced mixed results, with a much-improved performance by mcm entertainment, but a marginal loss from the direct marketing operations of Simon Richards.

The EBITDA result of \$78.9 million only declined 5%, again reflecting the competitive environment. However, the operating EBITDA margin of 32% underpins Austereo’s position as one of the world’s best performing radio operators.

The year ahead will see the introduction of four new capital city licences, but the Company is confident that Austereo will continue to adapt to the environment. Already sales for the September 2004 quarter have exceeded our budget expectations.

Austereo has developed new strategies, systems, and programming, and faces the future with determination and confidence.



92.9FM

94.5FM

101.9FM

104.1FM

104.5FM

104.7FM

104.9FM

105.1FM

105.3FM

107.1FM

creativity

Leading FM radio

During the year under review the Company's shareholding in Austereo marginally increased to 59.91%. Subsequently, on 4 October 2004, Austereo announced its own capital management initiative with an on market buy back of up to 3% of its issued ordinary shares.

• PETER HARVIE Executive Chairman, Austereo Group Limited
• MICHAEL ANDERSON Chief Executive Officer, Austereo Group Limited

• JEFF ALLIS Group Program Director, Austereo Group Limited
• KATHY GRAMP Chief Financial Officer, Austereo Group Limited
• GARY PERT Head of Sales Strategy, Austereo Group Limited
• GAY WALLACE Group General Manager Legal & Strategic HR, Austereo Group Limited
• DES DECEAN Director Engineering and IT, Austereo Group Limited
• HELEN DAVIES Group Director Promotions, Austereo Group Limited

* Nielsen Media Research Survey 4, June 22, 2004.
** AC Nielsen Survey 4 2004 from Survey 4 2003 -10+.

Film Distribution



“Roadshow is currently the number one distributor in the booming DVD arena with a 15.8% market share.”

Roadshow had an excellent year with net profit before tax up 56% on the prior year. Home Entertainment was again the driving force behind this result.

Roadshow Film Distributors enjoyed a strong schedule of films which performed well at the box office. The final *The Lord of the Rings* instalment, *The Return of the King*, with an Australian box office gross of \$49.4 million, became the third highest grossing film of all time in the Australian marketplace. Additionally, key Warner Bros. titles *Troy*, *The Last Samurai*, *Something's Gotta Give* and *Harry Potter and the Prisoner of Azkaban* were among the year's most successful theatrical releases. Village Roadshow Pictures' *The Matrix Revolutions* and *Mystic River* also experienced strong box office results.

An outstanding line-up of more diverse theatrical product included *21 Grams*, *Eternal Sunshine of the Spotless Mind* and *Girl with a Pearl Earring*. Key independent suppliers including Focus Films, Summit Entertainment and Miramax continue to supplement the product supplied by Warner Bros., Village Roadshow Pictures and New Line Cinema.

The explosive growth of the **Roadshow Entertainment** division continued during the year under review. The DVD market in Australia exceeded A\$1 billion for the first time in 2004 with more than 70% of Australian homes now possessing at least one DVD player. This flowed through to a 76% increase in DVD sales for the division. Roadshow is currently the number one distributor in the booming DVD arena with a 15.8% market share.

This increase in DVD sales was also supported by an unrivalled release schedule of high demand titles, with both *The Lord of the Rings* titles *The Two Towers* and *The Return of the King* being released during the year as well as *The Matrix Reloaded* and *The Matrix Revolutions*. Innovative marketing and in-store merchandising campaigns delivered high volume results across all four films and on our broad range of new films on DVD including *Final Destination 2*, *About Schmidt*, *Fat Pizza*, *Analyse That*, *Dreamcatcher* and *Texas Chainsaw Massacre*.

Roadshow's ongoing distribution arrangement with ABC Enterprises also delivered another growth year with *Kath and Kim*, *The Saddle Club* and *The Wiggles* performing exceptionally well. Our BBC product continues to go from strength to strength with *The Office*, *The Goodies*, *Red Dwarf* and *Ab Fab* all contributing strong volume. Roadshow's distribution relationship with Channel 9 for the popular *Hi-5* children's programming also had an exceptional year.

Providing an additional boost to revenue were films released onto DVD for the first time, with positive results from titles such as *The Man from Snowy River* and *Romper Stomper*.

Roadshow Entertainment's successful year was also reflected in winning numerous categories in the year's Australian Video Industry Awards including Major Distributor of the Year for both Retail Sales and Retailer's Choice, Rental Title of the Year (for *My Big Fat Greek Wedding*) and Best Marketing Campaign on a Retail Title (for *The Lord Of the Rings: The Fellowship of the Ring*).

Sales and profit contribution from New Zealand were also at record levels for the year and Roadshow's New Zealand distribution operation relocated to a larger office and warehouse facility, catering for our ongoing distribution agreements with Buena Vista, Fox Home Entertainment, Paramount Home Entertainment, MGM, BBC Worldwide and ABC Enterprises.

Roadshow Television consolidated its position as the largest independent supplier of theatrical features to TV in Australia and New Zealand.

Strong relationships were maintained with the premier TV broadcasters – the Nine Network in Australia, TVNZ in New Zealand and Pay and Pay-Per-View agreements with SKY in New Zealand. A new Pay-Per-View agreement has also recently been concluded with the Foxtel Box-Office service which further expands the television revenue base.

The Company's joint venture vehicle, Movie Network, which supplies three





Setting industry benchmarks

Pay TV movie channels to the Foxtel, Austar and Optus platforms, has seen outstanding growth in the year, with an increase of more than 165,000 subscribers on Foxtel and Austar for the full year. The strength of the Movie Network brand and the high quality of the feature product has resulted in Movie Network outperforming all other movie channels in the Foxtel digital conversion.

• JOEL PEARLMAN Managing Director, Roadshow Film Distributors
 • CHRIS CHARD Managing Director, Roadshow Entertainment
 • DEREK MALONE Managing Director, Roadshow Television
 • GRANT DEVONPORT Finance Director, Roadshow Films

• KATHRYN CARROLL General Manager Distribution, Roadshow Film Distributors
 • ROS WILSON General Manager, Roadshow Entertainment
 • BRETT ROSENGARTEN National Sales Manager, Roadshow Film Distributors
 • PHIL ONEILE National Marketing Manager, Roadshow Film Distributors
 • LEISA BACON Marketing Director, Roadshow Entertainment
 • NOEL BECKETT Managing Director, Roadshow New Zealand
 • LISA HUBBARD General Manager, Roadshow New Zealand

Film Production



“The strong performance at the box office of *The Matrix Revolutions* coupled with the strong performance at the box office and in video/DVD of *The Matrix Reloaded* were the primary drivers which contributed to the division recording \$18.9 million of film exploitation profits for the financial year.”

Village Roadshow Pictures (“VRP”), the Company’s film production division, has amassed an impressive library of 37 films (36 released prior to the close of the year under review) and nearly US\$2.5 billion in VRP’s share of worldwide box office receipts since the October 1998 release of the first film under VRP’s co-production and co-financing venture with Warner Bros.

The division released four features during this financial year: *The Matrix Revolutions*, *Mystic River*, *Torque* and *Taking Lives*.

The Matrix Revolutions was the third instalment of the ground-breaking and record-breaking *Matrix* trilogy, amassing worldwide box office receipts of US\$425 million. The total worldwide box office receipts for the trilogy exceed US\$1.6 billion.

Mystic River was an enormous critical success and an outstanding box office performer. The film garnered six Academy Award nominations (Best Picture, Best Director, Best Actor, Best Supporting Actor, Best Supporting Actress and Best Screenplay Adaptation) – with Academy Award wins for Sean Penn (Best Actor) and Tim Robbins (Best Supporting Actor) – and achieved worldwide box office receipts of over US\$157 million.

Torque and *Taking Lives* performed below expectations: the former earning nearly US\$50 million and the latter, US\$67 million, in worldwide box office.

The strong performance at the box office of *The Matrix Revolutions* coupled with the strong performance at the box office and in video/DVD of *The Matrix Reloaded* were the primary drivers which contributed to the division recording \$18.9 million of film exploitation profits for the financial year. However, after taking account of divisional overheads and inter-company interest expense on funds borrowed from the Company, the divisional result overall was a loss of \$0.8 million.

During the financial year, VRP completed an extension of its US\$1 billion facility

(comprised of US\$900 million in revolving debt and US\$100 million in effective equity provided by Village Roadshow), securing the revolving film financing to February 2008 and the facility to early 2012.

Since the end of the fiscal year, VRP has released *Catwoman*, starring Halle Berry, but the film is currently performing well below our expectations.

The film slate for the upcoming financial year marks a return to VRP’s target output of six to eight titles per year, and includes several high-profile projects:

- *Ocean’s 12* reunites the entire star-studded cast of *Ocean’s Eleven* – featuring George Clooney, Brad Pitt, Matt Damon, Andy Garcia and Julia Roberts – and welcomes Oscar winner Catherine Zeta-Jones and internationally acclaimed actor Vincent Cassel. Academy-Award winning director Steven Soderbergh returns behind the camera for this major release, scheduled to hit theatres in the US on 10 December and throughout December and January worldwide.
- *Constantine* stars Keanu Reeves as irreverent supernatural detective John Constantine, who has literally been to hell and back, and now spends his days fighting in the world of real demons that exists just beneath the landscape of contemporary Los Angeles. This occult action-thriller co-stars Rachel Weisz and is scheduled for US release in February 2005.
- *Miss Congeniality 2: Armed & Fabulous* stars Sandra Bullock reprising her comic turn as FBI agent Gracie Hart, who charmed audiences worldwide in December 2000 to the tune of US\$213 million in worldwide box office. The anticipated release date in the US is March 2005.
- *House of Wax* is a contemporary remake of the 1953 horror classic and stars Elisha Cuthbert, Chad Michael Murray and Paris Hilton. This exciting thriller is tentatively scheduled for release in April 2005.



