

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

Cinema Exhibition:

Over 1,100 screens at 130 cinema sites globally.

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

49%



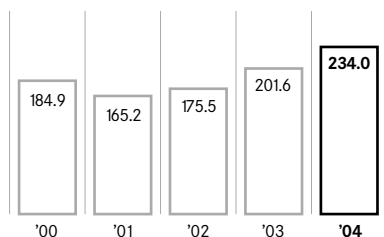
* Excluding Warner Village UK, sold May 2003

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 |



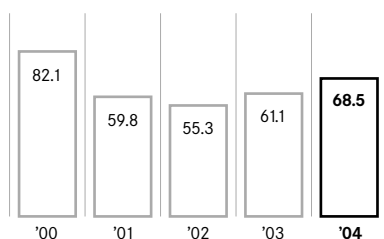
Chairman and Managing Director's Review



Earnings (\$ million)

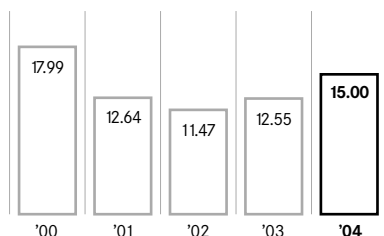
(Reported EBITDA excluding specific items and discontinuing operations)

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



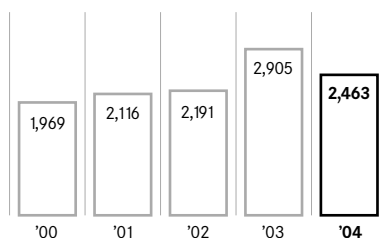
Profit after tax before specific items and discontinuing operations (\$ million)

- 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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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.

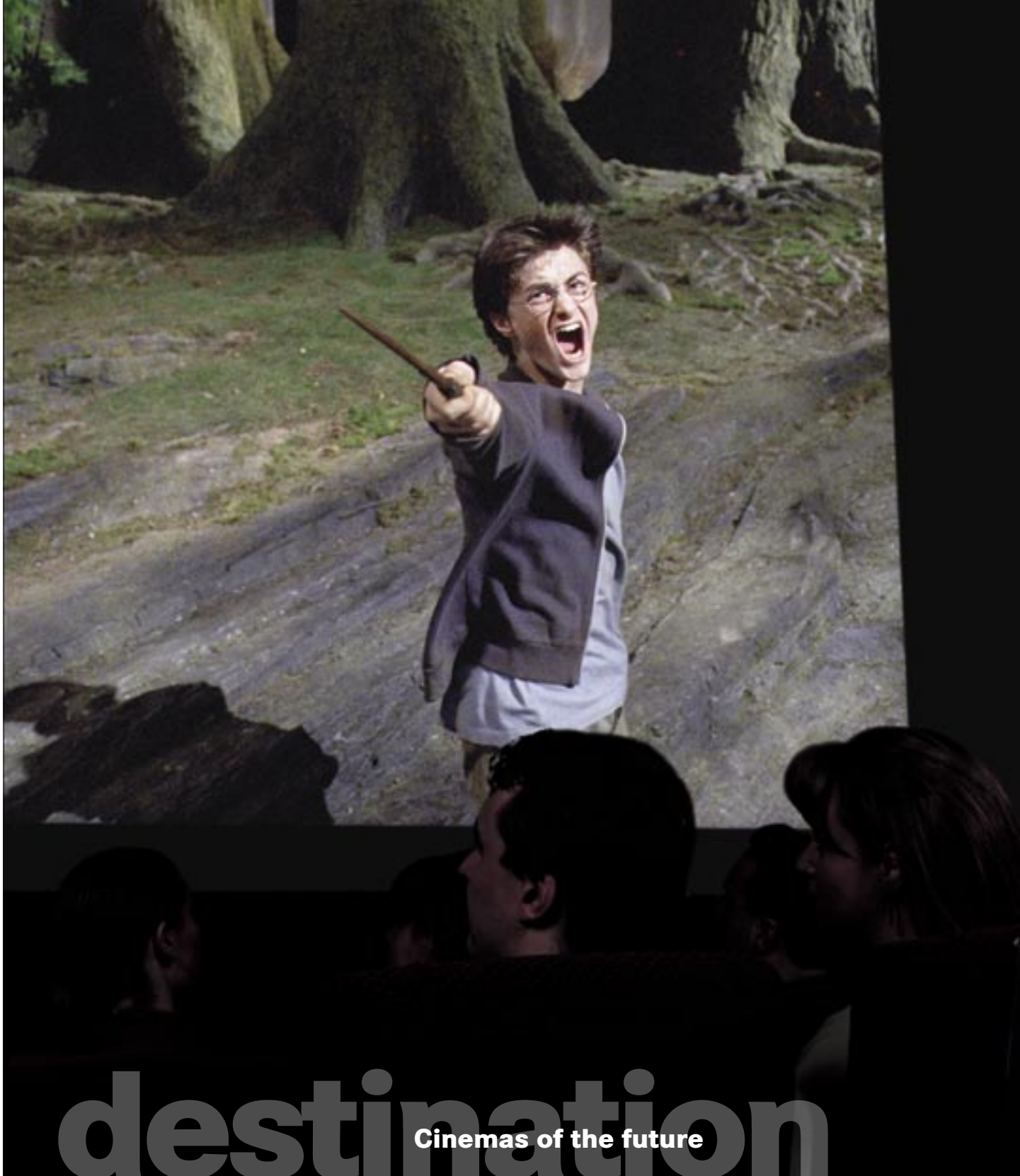
In addition we have begun exploring the potential of our cinemas as venues for alternative content entertainment and during the year have successfully run events such as WWE Wrestling, a live international concert for cinema by David Bowie and a Quicksilver snowboarding event. The success of these events 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%.

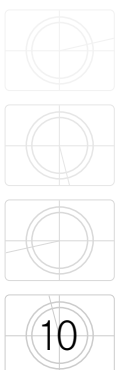
A focused marketing strategy incentivising visitors to choose the refurbished resort and Sea World has been most successful. Increased international business, particularly from South Korea has also contributed to the result. Once again the resort has outperformed competitive Gold Coast hotels due to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



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.



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.



Board of Directors

Robert G Kirby (1)

CHAIRMAN, EXECUTIVE DIRECTOR, AGE 53

First joined the Board in August 1988, reappointed July 2001

Holds a Bachelor of Commerce with 30 years experience in the entertainment and media industry. Through the launch of Roadshow Home Video, Mr. Kirby was the driving force behind the Australian video revolution of the 1980's and 1990's. He is a pioneer of new cinema concepts in both Australia and internationally and has been at the forefront of Village Roadshow's successful diversification into theme parks, radio and production. Director Austereo Group Limited and Chairman of Village Roadshow Corporation Limited. Currently Deputy Chairman of Peter MacCallum Cancer Foundation and Member of Patrons Council, Epilepsy Foundation, and Patron of Victorian Arts Centre.

Member Executive Committee
Chairman Nomination Committee

John R Kirby (2)

DEPUTY CHAIRMAN, EXECUTIVE DIRECTOR, AGE 57

Member of the Board since August 1988

Holds a Bachelor of Economics and is a Certified Practising Accountant with over 30 years experience in the industry. Deputy Chairman of Village Roadshow Limited 1994 to 1998, and from May 2002. Chairman Village Roadshow Limited 1990 to 1994 and 1999 to 2002. Director Austereo Group Limited, Sea World Management Limited and Village Roadshow Corporation Limited.

Member Executive Committee

Graham W Burke (3)

MANAGING DIRECTOR, EXECUTIVE DIRECTOR, AGE 62

Member of the Board and Managing Director since September 1988

Managing Director Village Roadshow Limited, a position he has held since 1988 with unrivalled experience in the entertainment and media industries. Mr. Burke has been one of the strategic and creative forces behind Village Roadshow's development and founded Roadshow Distributors with Roc Kirby. He was also a founding director of radio station 2Day FM, and spent four years as the original Commissioner of the Australian Film Commission. Director Austereo Group Limited, Sea World Management Limited and Village Roadshow Corporation Limited.

Chairman Executive Committee
Member Remuneration Committee

Peter E Foo (4)

FINANCE DIRECTOR, EXECUTIVE DIRECTOR, AGE 49

Member of the Board since February 1998

Holds a Bachelor of Economics with 25 years experience in the management and finance of all facets of the group. Joined Village Roadshow in 1978 and has served as Finance Director since 1998. Director Austereo Group Limited, Sea World Management Limited and all Village Roadshow's major subsidiaries.

Member Executive Committee

Peter M Harvie (5)

EXECUTIVE DIRECTOR, AGE 65

Member of the Board since June 2000

Executive Chairman, Austereo Group Limited with over 45 years experience in the advertising, marketing and media industries. First entered radio in 1993 as Managing Director of the Triple M network before becoming Managing Director of the enlarged group following its merger with Austereo in 1994. Founder and Managing Director of Clemenger Harvie from 1974 to 1993. Serves on the Board of other Austereo joint ventures and is a Director, Mazda Foundation Limited and Art Exhibitions Australia Limited.

Member Executive Committee



Executive Committee

William J Conn (6)

INDEPENDENT NON-EXECUTIVE DIRECTOR, AGE 58

Member of the Board since March 1992

Holds a Bachelor of Commerce (Hons) from the University of Melbourne and a MBA from Columbia University. Mr. Conn has over 35 years experience in investment banking with Potter Warburg Limited and McIntosh Securities Limited. He is Chairman of Grand Hotel Group, Palm Springs Limited and the Foundation for Young Australians. He is Director of the National Academy of Music and is a consultant to Merrill Lynch International (Australia) Limited.

Chairman Audit Committee
Chairman Remuneration Committee
Member Nomination Committee

Peter D Jonson (7)

INDEPENDENT NON-EXECUTIVE DIRECTOR, AGE 58

Member of the Board since January 2001

Holds a Bachelor of Commerce and Master of Arts Ph D from the London School of Economics. Following a 16 year career with the Reserve Bank of Australia including 7 years as Head of Research, entered the private sector with roles at leading Australian financial institutions. Positions included Head of Research, James Capel Australia; Managing Director, Norwich Union Financial Services; and Chairman, ANZ Funds Management. Currently Chair of Australian Institute for Commercialisation Ltd and Cooperative Research Centre for Microtechnology and its subsidiary companies. Serves on the Boards of other companies including Sequoia Capital Management Ltd and Pro Medicus Ltd.

Member Audit Committee

D Barry Reardon (8)

INDEPENDENT NON-EXECUTIVE DIRECTOR, AGE 73

Member of the Board since March 1999

Holds a Bachelor of Arts, Holy Cross College and MBA, Trinity College. Over 30 years in the motion picture business. Currently Executive Vice President and Assistant to the President, Paramount Pictures. Between 1978 and 1999, Mr Reardon held the positions of Executive Vice President, General Cinema Theatres and President, Warner Bros. Distribution. Serves on the board of various United States companies and organisations and is a Director of Village Roadshow Pictures International Pty Ltd.

Member Audit Committee
Member Remuneration Committee
Member Nomination Committee



Robert Kirby *

CHAIRMAN

John Kirby *

DEPUTY CHAIRMAN

Graham Burke *

MANAGING DIRECTOR

Peter Foo *

FINANCE DIRECTOR

Peter Harvie *

CHAIRMAN, AUSTEREO GROUP LIMITED

Phil Leggo (1)

GROUP COMPANY SECRETARY

Julie Raffe (2)

CHIEF FINANCIAL OFFICER

Greg Bassar (3)

DIRECTOR-COMMERCIAL & LEGAL, GROUP EXECUTIVE IN CHARGE OF PRODUCTION

Tony Pane (4)

CHIEF TAX COUNSEL

Simon Phillipson (5)

GENERAL COUNSEL

Tim Carroll (6)

WORLDWIDE GROUP MARKETING DIRECTOR

* Photograph in Board of Directors



Corporate Governance Statement

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year in accordance with Listing Rule 4.10.3 and how those practices relate to the Principles of Good Corporate Governance and Best Practice Recommendations issued by the Australian Stock Exchange Corporate Governance Council ("ASX Recommendations").

In ensuring the highest standards of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company.

Board of Directors – Role and Responsibilities

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company. It is also responsible for the overall corporate governance of the Company.

In particular, the functions and responsibilities of the Board include:

- Final approval of corporate strategy and performance objectives;
- Reviewing and ratifying of the risk management and internal control framework, codes of conduct and legal and other internal compliance programs;
- Approval and monitoring of significant capital expenditure, capital management, acquisitions and divestitures in excess of A\$10m;
- Approval and monitoring of significant financial and other reporting;
- Appointment and removal of the Managing Director; and
- Monitoring compliance with corporate governance policies and assessing the appropriateness and adequacy of corporate governance policies and implementing changes or additions that are deemed fitting.

In fulfilling this responsibility the Board is supported by a number of committees whose composition is reviewed periodically. All Board Committees provide recommendations to the Board however the Executive Committee has specific powers delegated to it by the Board. With the exception of the Executive Committee, all Committees shall comprise a majority of Independent Directors and shall be suitably resourced.

Board of Directors – Composition and Membership

The composition of the Board is determined in accordance with the following principles:

- The Board shall comprise at least six Directors with an appropriate balance of Executive, Independent and Shareholder Directors, the definitions of which are:

Executive Director one in full time employment by the Company, either directly or through a consultancy;

Independent Director one who is not a substantial shareholder or associated directly with a substantial shareholder, is non-executive and is not or has not been employed in an executive capacity nor principal of a material professional advisor or consultant within the last 2 years, is not a material supplier or customer, has no material contractual relationship other than as a director, is free from any interest or business or relationship which could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company and who derives minimal or zero income (excluding Directors' Fees) from the Company compared to income from other sources;

Shareholder Director one with a prescribed direct, indirect or representative shareholding interest exceeding 5% of the total issued ordinary capital of the Company.

- The Board shall comprise Directors with an appropriate range of qualifications and specific industry expertise that will enable them to make a contribution to the deliberations of the Board.
- The Board shall meet at least six times per year. Meeting guidelines ensure that Directors are provided with all necessary information to participate fully in an informed discussion of all agenda items.
- Informal meetings of Independent Directors are held to discuss matters of mutual interest when necessary.

During the financial year the names of each Director, their respective role, appointment date and classification were:

| NAME | ROLE | APPOINTED | CLASSIFICATION |
|------------------|------------------------|----------------|------------------------|
| Robert G. Kirby | Chairman | July 2001 | Shareholder, Executive |
| John R. Kirby | Deputy Chairman | August 1988 | Shareholder, Executive |
| Graham W. Burke | Managing Director | September 1988 | Shareholder, Executive |
| Peter E. Foo | Finance Director | February 1998 | Executive |
| Peter M. Harvie | Executive Director | June 2000 | Executive |
| William J. Conn | Non-executive Director | March 1992 | Independent * |
| D. Barry Reardon | Non-executive Director | March 1999 | Independent |
| Peter D. Jonson | Non-executive Director | January 2001 | Independent |

* Mr. Conn meets 6 of the 7 'independence' criteria as defined in Box 2.1 of the ASX Recommendations. Notwithstanding Mr. Conn has served as a Director for over 12 years, the Company does not consider that Mr. Conn's tenure on the Board of the Company in any way adversely impacts on his independence.

The Company's constitution sets out the procedures to be followed regarding:

- the appointment, number and rotation of the Directors;
- the appointment of the Managing Director; and
- procedures for Directors' meetings, including voting.

Membership of the Board is the exclusive responsibility of the full Board of Directors, subject to the approval of the Company's shareholders in general meeting, based on recommendations from the Nomination Committee.

A formal Letter of Appointment is provided to incoming Directors together with such appropriate induction as may be required by the incoming Director.

All Directors have access to the Company Secretary and are entitled to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairperson, such approval not to be unreasonably withheld.

The Chairperson of the Company is determined by the Board of Directors, recognising the Company's ownership structure. In addition, the Board is comprised of a majority of Executive Directors. These matters are at variance to ASX Recommendations 2.1 and 2.2.

The Board is of the opinion that the executive roles of the Shareholder Directors (including the Chairperson) in the day to day operations of the Company adds value to the Company due to their material financial commitment and considerable experience in the Company's businesses. Notwithstanding the number of Independent Directors presently on the Board, the Company considers that there is adequate monitoring of the Executive Directors.

Audit Committee

The Company established an Audit Committee in 1991. In accordance with its Charter, all 3 members of the Audit Committee are Independent Directors with appropriate skills, expertise and experience. The Chairperson of the Audit Committee is an Independent Director who is not the chairperson of the Board. The Audit Committee reports directly to the Board.

The role and responsibilities of the Audit Committee includes:

- Reviewing all external reporting (published financial statements including interim statements and year-end audited statements, preliminary announcement of results prior to publication) with management and the external auditors prior to their approval by the Board, focusing in particular on:
 - Significant changes in accounting policies and practices;
 - Major judgmental areas and significant audit adjustments;
 - Adequacy and reliability of financial information provided to shareholders; and
 - Compliance with Statutory and Australian Stock Exchange reporting requirements;
- Discussing any matters arising from the audit with the external auditor;
- From 2003, seeking written representations from the Managing Director and Finance Director that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- Reviewing the nomination, performance, independence and competence of the external auditor – Ernst & Young were appointed on 12 April 1989 and the audit partner was rotated off following completion of the 2003 financial year end audit;
- Approving the Internal Audit plan bi-annually and assessing the performance of the internal audit function;
- Receiving reports from the Corporate Governance and Compliance Committee and to assess the adequacy and effectiveness of the financial internal control framework and risk management procedures; and
- Discussing the scope and effectiveness of the audit with the external auditor.

Corporate Governance Statement continued

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

| | | |
|------------------|---------------|-----------------------------------|
| William J. Conn | August 1992 | Chairman, Independent Director |
| D. Barry Reardon | April 2000 | Independent Director |
| Peter D. Jonson | February 2001 | Independent Director |

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

The Committee invites the audit partner to its meetings and senior Company executives as required. In addition the Audit Committee meets at least twice a year with the external auditor without management being present and the auditor is provided with the opportunity, at their request, to meet the Board of Directors without management being present.

Nomination Committee

The Company established a Nomination Committee in 1998. Prior to this, membership of and nominations to the Board had been the exclusive responsibility of the Board. In accordance with its Charter, the 3 members of the Nomination Committee include the Chairperson of the Company and comprise a majority of Independent Directors.

The role of the Nomination Committee is to monitor the composition of the Board in light of corporate governance best practice, and to periodically make recommendations to the full Board.

The responsibilities of the Nomination Committee include recommending new nominees to the Board, taking into account the required skill set, relevant industry expertise and experience of potential candidates to complement that of existing Board members. Consideration is also given to the size and shareholder structure of the Company such that an incoming director would be able to make an overall positive contribution to the deliberations of the Board without adversely impacting on efficient decision making by the Board as a whole.

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

| | | |
|------------------|------------|----------------------|
| Robert G. Kirby | May 2002 | Chairman |
| William J. Conn | July 1998 | Independent Director |
| D. Barry Reardon | April 2000 | Independent Director |

The Nomination Committee meets at least annually and the Board is appraised by the Chairperson as appropriate on any relevant developments. The Board has recognised that based on its size and composition, a formal committee structure and procedures may not be optimal, and accordingly, the Nomination Committee may meet informally, on a 'needs' basis as and when a suitable candidate may be available for nomination.

Given the Company's ownership structure and the composition of the Board, the assessment of the Board's overall performance and its own succession plan has been previously conducted informally by the Chairperson and Directors on an ad hoc basis. In August 2004 a formal evaluation process under the guidance of the

Nomination Committee has been undertaken. Whilst this is at variance to ASX Recommendation 8.1 for the financial year ended June 2004, the Directors consider that at the date of this report an appropriate and adequate evaluation of Directors has been implemented.

Executive Committee

In 1990 the Board established an Executive Committee which monitors and reports on the major risks affecting each business segment and develops, subject to approval of the full Board, strategies to mitigate these risks. The Executive Committee deals with all other matters apart from those matters specifically reserved for the Board, or its Audit Committee, Nomination Committee and Remuneration Committee.

The key functions and responsibilities of this Executive Committee include:

- Development of the strategic plan which encompasses the Company's vision, mission and strategy statements and stakeholders' needs;
- Implementation of operating plans and budgets by management and monitoring progress against budget as well as monitoring all significant areas of the business;
- Approval and monitoring of capital expenditure, capital management, acquisitions and divestitures, and approval of contracts less than A\$10m;
- Establishment of committees to monitor and report on all aspects of risk management including environmental issues and health and safety matters;
- Review cash flow projections and gearing;
- Treasury responsibility including advising the Board on liquidity, currency and interest rate risk and credit policies; and
- Review the Company's code of conduct and corporate governance compliance.

The Management of the Company's various business segments annually bring to the Executive Committee detailed budget proposals for consideration, the final consolidated version of which is submitted to the full Board of Directors in May each year.

The Executive Committee and various Divisional Boards of the Company's subsidiaries and associates derive their mandate and operate in accordance with the Group's formal Delegation of Authority document. The Delegation of Authority document is reviewed and updated on an annual basis, with major changes approved by the Board.

During the financial year the members of this Committee were:

| | |
|----------------------------|-----------------|
| Graham W. Burke (Chairman) | Robert G. Kirby |
| John R. Kirby | Peter E. Foo |
| Peter M. Harvie | Philip S. Leggo |
| Julie E. Raffe | Gregory Bassar |
| Simon T. Phillipson | Tony N. Pane |
| Stuart Boxer | Tim Carroll |

The Executive Committee meets at frequent intervals.

Remuneration Committee

The Company established a Remuneration Committee in April 1994. The Committee's Charter provides for the review of remuneration of the Company's Executive Directors, including any equity participation by such Executive Directors.

The Committee comprises 3 Directors, the majority of whom are Independent Directors. The Committee invites senior management to meetings when requiring input on management and divisional performance.

The Committee makes recommendations on the remuneration of the Executive Directors with the overall objective of motivating and appropriately rewarding performance. The recommendations are made in line with the Company's present circumstances and goals to ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team.

The Chairman, Deputy Chairman, Managing Director and Finance Director are responsible for determining the compensation arrangements for senior divisional and corporate executives using similar criteria. The Remuneration Committee is kept informed of any major amendments to remuneration arrangements for senior divisional and corporate executives.

Whilst for the financial year ended June 2004 this is at variance to ASX Recommendation 9.1 – which recommends the Remuneration Committee be responsible for the remuneration overview for all senior executives – the Company believes it has had an adequate review process in place. However from August 2004 the Committee will include a review of all future material changes to senior divisional and corporate executives' remuneration, as recommended by the Executive Directors, so as to be in full compliance with ASX Recommendation 9.1.

The Company and the Committee periodically obtain independent advice from external consultants and utilise benchmarks from comparable organisations.

At the commencement of each year the Executive Directors will submit a business plan for the forthcoming year to the Remuneration Committee for review and adoption. This will be the basis of reviewing performance at the end of the year.

All Executive Directors and senior executives have the opportunity to participate in the Company's bonus scheme where specified criteria are met based on achievement of key executive performance criteria and Company performance in relation to profitability, cash flow, share price growth and other performance indicators.

The Company considers that the remuneration paid to Directors and senior executives is reasonable and fair having regard to comparable companies and the performance and responsibilities of each respective Director and senior executive.

When there is a material or significant variation in the remuneration arrangements of the Company's Executive Directors, as appropriate, this is promptly disclosed to the Australian Stock Exchange under the Company's continuous disclosure policy.

The Committee meets at least twice per year.

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

| | | |
|------------------|-------------|-----------------------------------|
| William J. Conn | April 1994 | Chairman, Independent Director |
| D. Barry Reardon | August 1999 | Independent Director |
| Graham W. Burke | April 2000 | Managing Director. |

Mr. Burke absents himself from any meeting of the Committee where his own remuneration is to be discussed.

The total cash remuneration of Independent Directors (being Directors' Fees not paid to anyone in an Executive capacity), is distinguished from that of Executive Directors and is approved in aggregate by shareholders in general meeting from time to time. Independent Directors receive \$60,000 per annum plus \$12,000 per annum for each Board Committee on which they serve, payable quarterly in arrears. In addition Independent Directors may receive additional fees for serving on Boards of subsidiary companies.

The Company does not have and never has had a retirement benefit scheme for Non-executive Directors, other than their individual statutory superannuation benefits which are included as part of their total Director's Fee remuneration.

In addition, the Company encourages Executive and Non-executive Directors to hold shares in the Company. Subject to any necessary approvals as may be required by law or ASX Listing Rules, Directors may be invited from time to time to participate in share and option plans offered by the Company.

The various share and option entitlements of all Directors and any changes are advised to the Australian Stock Exchange in accordance with the Listing Rules and Corporations Act 2001 requirements and are set out in the Directors' Report.

Shareholder Meetings and Communication

The Company's constitution sets out the procedures to be followed regarding:

- The convening of meetings;
- The form and requirements of the notice;
- Chairperson and quorums;
- Voting procedures, proxies, representatives and polls.

Notices of meetings of shareholders will comply with all legal requirements and current best practice guidelines and the format of resolutions will be clear, concise and in plain English. Distinctly separate issues will be presented in separate motions and only combined into one resolution where the subject matter requires it to be so presented.

The format of proxies will be such that shareholders will be able to clearly indicate their voting intentions and full directions on the completion of proxies will be contained in both the proxy form itself and in the notice of meeting, including any relevant voting exclusion statements.

Corporate Governance Statement continued

The Directors believe that, in accordance with the Company's constitution, voting by shareholders should be determined firstly on a show of hands of those present at the meeting and by poll where requested by shareholders or by the Chairperson. The constitution sets out the circumstances in which a poll may be called by the Chairperson or by shareholders whether present in person or by proxy or by representative.

The Chairperson of meetings of shareholders shall allow a reasonable opportunity for shareholders to ask questions on those matters on the agenda that are before shareholders for consideration and to enable informed participation and voting by shareholders in the meeting.

In addition, the external auditor shall attend the Company's annual general meeting and be available to answer questions about the conduct of the audit and the auditor's report on the Company's financial statements. This will include any written questions forwarded to the Company more than one week prior to the meeting.

The Company is supportive of developments by the share registry industry to facilitate the option of electronic communication with shareholders, and will monitor progress in this area.

The Company established a corporate website at www.villageroadshow.com.au in 1999 which contains relevant information for shareholders about the Company, its operations, corporate profile, structure and other supporting information including from July 2004 reporting against the ASX Recommendations in a clearly marked corporate governance section. In addition shareholders can email queries to the Company through the website, or by facsimile, by mail or by telephone.

Continuous Disclosure

The Directors ensure that the market is fully informed on a timely basis of all material, price sensitive information regarding the Company. In support of this objective, the Company has procedures in place to ensure that it meets its reporting and continuous disclosure obligations.

In this regard, the Company supports the ASX Recommendation 5.1 and Australian Securities and Investment Commission's "Better Disclosure for Investors" guidance principles and believes its practices are consistent with these guidance principles.

The Company Secretaries are the Company's nominated Communications Officers for liaising with the Australian Stock Exchange and are responsible for ensuring the Company's compliance with its legal and Stock Exchange reporting and disclosure obligations.

No communication is permitted to any external third party about an announcement until confirmation that the communication has been released to the market has been received from the Australian Stock Exchange. Once confirmation has been received, the Company provides a copy of its release on its corporate website as soon as possible.

Communication by the Company with external parties is the responsibility of a limited number of authorised spokespersons to ensure the consistency of information provided and to safeguard

against inadvertent disclosure of price sensitive information. All communications are monitored by the Communication Officers to ensure that no material information has been inadvertently released.

In particular, the Communications Officers ensure that no price sensitive information is provided in discussions with broking analysts, investors or to the media unless it has first been released through the Australian Stock Exchange.

Corporate Code of Conduct

The Board of Directors insist on the highest ethical standards from all officers and employees of the Company and are vigilant to ensure appropriate corporate professional conduct at all times.

Standards setting out the Company's Code of Conduct by which Employees are expected to act are contained in the Employee Guide and formal contracts and letters of employment. They include:

- Insider trading and employee security trading;
- Conflicts of interest;
- Use of market power and pricing practices;
- Confidentiality and Privacy Policy;
- Compliance with Laws and Regulations;
- Employment practices including Occupational Health & Safety; and
- Maintenance, quality and safety of goods and services.

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

All purchases of major consumables are obtained by all business segments of the Company by a periodic competitive tendering process.

Certain inter-company arrangements have been entered into between the Company and Austereo Group Limited ("Austereo"). Historically the Company and Austereo have maintained various financial and administrative arrangements and have regularly engaged in transactions with each other and their respective affiliates.

This relationship is governed by the Intercompany Agreement dated 19 January 2001 between the Company and Austereo. The Intercompany Agreement specifically states that it is the intention of both parties that the relationship between them and their respective affiliates prior to Austereo's listing on ASX will continue on the same basis while the Company continues to hold a controlling interest in Austereo.

The Intercompany Agreement requires each party to make services available to the other, either without charge, on a reduced cost basis or on a recharge basis, depending on how such services were provided prior to listing. Where costs are to be recharged, the charge is to be determined in accordance with established accounting principles, and failing agreement, the dispute will be referred to an independent person appointed by the President of the Law Institute of Victoria whose decision shall be final in determining the quantum of costs to be allocated.

In respect of the Intercompany Agreement and all other matters between the Company and Austereo, the Directors will be required to comply with the requirements of the Company's constitution and the Corporations Act 2001 governing any conflicts of interest that may arise.

Securities Trading Policy

All Directors have a written contractual obligation to the Company to immediately advise the Company of all changes to their interests in shares, options and debentures, if any, in the Company and its associates for the timely reporting of any changes to the Australian Stock Exchange by the Company Secretaries.

In addition to all Directors of the Company, all members of the Executive Committee and other key corporate and divisional executives of the Village Roadshow group who are involved in material transactions concerning the Company are included in the definition of "Designated Officers". These Designated Officers are precluded from dealing in securities of the Company during the periods 31 December to release of the half year profit announcement and 30 June to the release of the full financial year end profit announcement.

Outside of those periods, no Designated Officers may deal in securities of the Company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Legal advice will be obtained by the Company Secretary on behalf of the Designated Officers in circumstances where any doubt exists.

All Directors of the Company, and of the Village Roadshow group of companies including Austereo ('the Group'), are required to provide a standing notice, updated as appropriate, giving details of the nature and extent of their 'material personal interests' in the affairs of the Company and Group upon appointment as a Director. All notices are tabled and recorded in the minutes of each Directors' meeting and entered into a register which is open for inspection by all Directors and is available to all future incoming directors.

Risk Management

The Board is responsible for the approval and review of the group's risk management and internal controls framework and policies in accordance with its Group Risk Management policy. However management of operational risk and the implementation of appropriate controls to mitigate such risks is the responsibility of management.

To assist the Board in discharging its responsibilities in relation to risk management, the Board has delegated the control of risk management to the Audit Committee in accordance with its Charter.

The Company's formal Risk Management Methodology incorporates a holistic and structured approach to the identification and mitigation of business risks by key business units. This risk approach covers strategic, operational and

financial risks of each strategic business unit and accountability for managing such risks rests with the CEO and CFO of each business unit, including Corporate Head Office. In accordance with the Risk Management Methodology, which was adopted by the Audit Committee in 1998, formal risk assessments are conducted twice a year, in June and December, with reporting to the Audit Committee on major risks and action plans.

The Company is progressing with the completion of the Business Impact Analysis and Risk Assessment of its Business Continuity Management project with a view to reducing the risk of business disruption arising from its dependency on building infrastructure and IT&T systems and services to a pragmatic and acceptable level. In addition independent Occupational Health and Safety Compliance Reviews are conducted on an annual basis in key businesses within the Company.

The Company's financial structure includes a number of covenants to various lenders, requiring a structured level of monitoring and management to ensure compliance. The Company's Treasury Risk Policy articulates the recognition, measurement and management of interest rate risks, foreign exchange exposures, hedging, credit risk, liquidity levels and monitoring of economic and financial conditions. The parameters of the Treasury Risk Management Policy are periodically reviewed by the Audit Committee to ensure the Policy addresses current issues.

The Company's Group Internal Audit function, which is totally independent of all operating business units, performs regular reviews on significant areas of risk within business units to ensure that the internal control framework is adequate and remains effective. In addition, reviews by Internal Audit also monitor internal compliance with policies adopted by the Board including strict compliance to the Group Delegation of Authority policy document.

The Internal Audit Plan is approved six monthly at Audit Committee meetings. A summary of major audit findings, and control weaknesses not adequately addressed by management, is reported directly to the Audit Committee.

Effective July 2003, the Company established a Corporate Governance and Compliance Committee to monitor the implementation and effectiveness of sound governance policies and procedures across the Group in line with ASX Recommendations. Such policies and procedures include the risk management and internal controls framework, the code of conduct and the compliance process adopted by management.

The responsibilities of the Committee include the formulation of annual Compliance Programs for Audit Committee approval and the co-ordination and monitoring of such programs to ensure timely implementation and review. The Committee will report on all material aspects to the Audit Committee and to the Managing Director and Finance Director on the effectiveness of compliance programs.

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Directors' Report

Your Directors submit their report for the year ended 30 June 2004.

Directors

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

Directors:

| | |
|----------------------------|-----------------|
| Robert G. Kirby (Chairman) | John R. Kirby |
| Graham W. Burke | Peter E. Foo |
| Peter M. Harvie | William J. Conn |
| D. Barry Reardon | Peter D. Jonson |

The qualifications, experience and special responsibilities of the Directors are disclosed on pages 20 and 21 of the Annual Report.

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

| NAME OF DIRECTOR | VILLAGE ROADSHOW CORPORATION LIMITED | | VILLAGE ROADSHOW LIMITED | | | AUSTEREO GROUP LIMITED |
|------------------|--------------------------------------|-------------------|--------------------------|-------------------|------------------|------------------------|
| | ORDINARY SHARES | PREFERENCE SHARES | ORDINARY SHARES | PREFERENCE SHARES | ORDINARY OPTIONS | ORDINARY SHARES |
| Robert G. Kirby | 6,878,706 | 41,972 | 118,619,515 | - | - | 251,562,594 |
| John R. Kirby | 6,878,706 | 41,972 | 118,619,515 | - | - | 251,616,054 |
| Graham W. Burke | 6,878,956 | 41,972 | 118,619,515 | - | 6,000,000 | 251,562,594 |
| Peter E. Foo | - | - | - | - | - | - |
| Peter M. Harvie | - | - | 257,400 | 242,900 | - | 1,030,001 |
| William J. Conn | - | - | 191,563 | 1,153,019 | - | - |
| Peter D. Jonson | - | - | 10,000 | 33,236 | - | - |
| D. Barry Reardon | - | - | 10,000 | 8,552 | - | - |

Principal activities

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

- Cinema Exhibition
- FM Radio Operations
- Film Production
- Theme Park Operations
- Film, DVD and Video Distribution

Review of operations and results

Profit from ordinary activities before tax was \$99.4 million, an increase of 159% compared to the profit of \$38.4 million for the previous corresponding period. After tax and outside equity interests, the net profit attributable to members of Village Roadshow Limited was \$52.2 million, compared to a loss of \$26.0 million in the previous corresponding period.

After excluding specific items and discontinuing operations, the attributable net profit for the period was \$68.5 million (2003 \$61.1 million).

Total assets of the group decreased by \$441.4 million compared to 30 June 2003, which was mainly as a result of reductions in the net Film Library of \$339.0 million, cash assets of \$67.7 million and net property, plant & equipment of \$29.2 million.

Directors' Report *continued*

Review of operations and results *continued*

Revenues from ordinary activities and share of net profit of associates and joint venture entities increased by 24% to \$2,257.7 million from the previous year's comparable revenue of \$1,813.9 million. The increase was mainly due to the inclusion of a full year's revenue from Village Roadshow Films (BVI) Ltd. in the year ended 30 June 2004 compared to a five month contribution in the year ended 30 June 2003, which was partly offset by a reduction in revenues relating to specific items and discontinuing operations in the year ended 30 June 2004.

Dividends

The Directors do not recommend payment of a dividend. There were no dividends paid during the year.

Earnings per share

Basic earnings per share were 22.23 cents (2003 negative 11.06 cents) and before specific items and discontinuing operations, basic earnings per share were 29.17 cents (2003 25.96 cents). There were no potential ordinary shares that were dilutive in the years ended 30 June 2004 or 30 June 2003.

Significant changes in state of affairs

Total shareholders' equity of the economic entity decreased by \$129.3 million to \$948.7 million during the year. This was attributable to decreases in share capital of \$169.9 million (mainly related to the buybacks of A Class Preference shares), partly offset by increases in retained profits of \$10.0 million, reserves of \$29.1 million and outside equity interests of \$1.5 million.

Retained profits increased by \$10.0 million mainly as a result of the net profit of \$52.2 million, partly offset by transfers from the foreign currency translation reserve of negative \$42.8 million (in relation to realised losses that had been taken up in that reserve prior to realisation). The foreign currency translation reserve increased by \$29.1 million mainly as a result of the transfer of realised losses of \$42.8 million to retained profits.

Events subsequent to reporting date

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

Subsequent to 30 June 2004, in accordance with a notification to Australian Stock Exchange Ltd. on 16 June 2004, Village Roadshow Ltd. bought back a further 23,005,797 Ordinary shares on market, for a total consideration of \$45,306,943. This was in addition to the 484,203 Ordinary shares bought back prior to 30 June 2004.

Likely developments and expected results

It is anticipated that the economic entity's diversified businesses will continue to operate profitably.

Share options

Details of unissued shares under option, and shares issued as a result of the exercise of options, are set out in Note 20 of the Financial Report. Details of share and option transactions in relation to Directors of the economic entity are set out in Note 26 of the Financial Report.

Indemnifying and insurance of officers and auditors

Since the commencement of the financial year, the Company has not, in respect of any person who is or has been an officer or auditor of the Company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability (including costs and expenses incurred in successfully defending legal proceedings) incurred as an officer or auditor, nor has the Company paid or agreed to pay a premium for insurance against any such liabilities incurred as an officer or auditor other than an un-allocated group insurance premium of \$947,495 (2003 \$560,195) which has been paid to insure each of the Directors and secretaries of the Company against any liabilities for costs and expenses incurred in defending any legal proceedings arising out of their conduct as officers of the Company or related body corporate, other than conduct involving wilful breach of duty.

Corporate governance statement

The statement set out on pages 22 to 27 of the Annual Report summarises the Company's key corporate governance practices that were in place during the financial year.

Directors' and executive officers' emoluments

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

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

The total cash remuneration of independent directors (being directors' fees not paid to anyone in an executive capacity) is distinguished from that of executive directors and is approved in aggregate by shareholders in general meetings from time to time.

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

| NAME OF DIRECTOR | NOTE | SALARY/ FEES | BONUS | SUPER- ANNUATION | NON-CASH BENEFITS | EQUITY- BASED COMPENSATION | TOTAL 2003/ 2004 | TOTAL 2002/ 2003 |
|------------------|---------|--------------|---------|------------------|-------------------|----------------------------|------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Robert G. Kirby | 1, 5 | 1,190,160 | 298,700 | 91,149 | 200,279 | - | 1,780,288 | 1,672,970 |
| John R. Kirby | 1, 5 | 1,190,160 | 298,700 | 91,149 | 193,223 | - | 1,773,232 | 1,701,702 |
| Graham W. Burke | 1, 3, 5 | 1,190,160 | 298,700 | 91,149 | 176,031 | 222,626 | 1,978,666 | 1,953,934 |
| Peter E. Foo | | 1,063,246 | 496,000 | 34,254 | 46,268 | - | 1,639,768 | 1,380,443 |
| Peter M. Harvie | 2, 4 | 585,792 | 100,000 | 25,000 | 81,363 | - | 792,155 | 685,110 |
| William J. Conn | | 88,072 | - | 7,928 | - | - | 96,000 | 96,000 |
| Peter D. Jonson | | 66,056 | - | 5,944 | 20,813 | - | 92,813 | 88,739 |
| D. Barry Reardon | | 126,000 | - | - | - | - | 126,000 | 174,513 |

Notes:

- Bonus amounts represent 2003/04 bonus due and payable. Director bonuses are calculated by reference to a cash flow return on investment measure together with a formula to reward superior weighted average share price and market capitalisation growth.
- Includes amounts paid by Austereo Group Limited in relation to Executive Chairman position.
- In accordance with a special resolution of the Company's shareholders on 15 May 2001, 6 million options over ordinary shares were allotted to Mr. Graham W. Burke. Two million options are exercisable at an exercise price of \$3.00 not earlier than 15 May 2004; 2 million options are exercisable at an exercise price of \$4.00 not earlier than 15 May 2005; and 2 million options are exercisable at an exercise price of \$5.00 not earlier than 15 May 2006. All the options are exercisable no later than 30 November 2007 or 2 years following cessation of Mr. Burke's employment with the Company, whichever is the earlier. The above options were granted in accordance with the terms of Mr. Burke's Employment Contract dated November 2000. Refer to option valuation disclosures below.
- Includes non-monetary benefits for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Company's and Austereo Group Limited's Executive Share Plans and the Company's Executive and Employee Option Plan.
- With effect from 1 July 2004, the Remuneration Committee of the Board of Directors approved an increase in Base Salary for each of Messrs R.G. Kirby, J.R. Kirby and G.W. Burke to \$1,550,000 per annum.

Directors' Report continued

Directors' and executive officers' emoluments *continued*

The income paid or payable, or otherwise made available in respect of the financial year, to the 5 most highly paid executive officers of the Company, directly or indirectly, from the entity or any related party was as follows:

| NAME OF EXECUTIVE OFFICER | NOTE | SALARY/ FEES | BONUS | SUPER- ANNUATION | NON-CASH BENEFITS | TERMINATION PAYMENT | TOTAL 2003/ 2004 | TOTAL 2002/ 2003 |
|---------------------------|------|--------------|---------|------------------|-------------------|---------------------|------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Gregory Basser | 1,5 | 1,132,266 | 250,000 | 36,754 | 7,435 | - | 1,426,455 | 1,732,063 |
| Tony N. Pane | | 956,178 | 250,000 | 11,002 | - | - | 1,217,180 | 1,171,971 |
| Simon T. Phillipson | | 374,447 | 200,000 | 33,675 | 9,260 | - | 617,382 | 580,953 |
| Philip S. Leggo | | 360,508 | 140,000 | 32,419 | 56,951 | - | 589,878 | 528,028 |
| Julie E. Raffae | | 277,648 | 140,000 | 24,938 | 97,639 | - | 540,225 | 465,816 |

The income paid or payable, or otherwise made available in respect of the financial year, to the 5 most highly paid executive officers of the Village Roadshow Limited consolidated entity, directly or indirectly, from the entity or any related party was as follows:

| NAME OF EXECUTIVE OFFICER | NOTE | SALARY/ FEES | BONUS | SUPER- ANNUATION | NON-CASH BENEFITS | TERMINATION PAYMENT | TOTAL 2003/ 2004 | TOTAL 2002/ 2003 |
|---------------------------|--------|--------------|---------|------------------|-------------------|---------------------|------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Bruce Berman | 3 | 1,961,460 | - | 38,231 | 61,469 | - | 2,061,160 | 2,774,978 |
| Brian L. Bickmore | 2, 4,5 | 363,431 | 75,000 | 8,017 | 40,036 | 1,535,373 | 2,021,857 | 833,931 |
| Gregory Basser | 1,5 | 1,132,266 | 250,000 | 36,754 | 7,435 | - | 1,426,455 | 1,732,063 |
| Tony N. Pane | | 956,178 | 250,000 | 11,002 | - | - | 1,217,180 | 1,171,971 |
| Steven Krone | 3,5 | 824,588 | 262,369 | 38,231 | 57,973 | - | 1,183,161 | 1,238,984 |

Notes:

1. Bonus amount relates to amounts paid pursuant to discretionary consulting agreement.
2. Amounts paid by Austereo Group Limited in relation to Executive position.
3. Amounts paid by Village Roadshow Pictures Entertainment Inc in relation to Executive positions.
4. Includes annual and long service leave entitlements together with executive retirement payment and non-compete termination payment.
5. Includes non-monetary benefit for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Company's and Austereo Group Limited's Executive Share Plans as appropriate.

In the opinion of Directors, remuneration paid to Directors and senior executives is considered reasonable and fair having regard to comparable companies and the performance and responsibilities of each respective Director and senior executive.

The various share and option interests of all Directors of the Company at the date of this report are set out above.

Option valuation methodology

The Company has used the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e. forfeitures).

From 1 July 2003, options granted as part of director and executive emoluments have been valued using the Black Scholes option-pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

The fair value of each option is estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions used for grants made on 15 May 2001:

Expected volatility: 30%

Historical volatility: 30%

Risk-free interest rate: 5.53% (options vesting 15 May 2004) and 5.66% for the remainder

Expected life of options: 5 years (options vesting 15 May 2004) and 6 years for the remainder

Directors' and executive officers' emoluments *continued*

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The resulting fair values per option for those options vesting after 1 July 2003 are:

| NUMBER OF OPTIONS | GRANT DATE | VESTING DATE | FAIR VALUE |
|-------------------|-------------|--------------|------------|
| 2,000,000 | 15 May 2001 | 15 May 2004 | \$0.172 |
| 2,000,000 | 15 May 2001 | 15 May 2005 | \$0.152 |
| 2,000,000 | 15 May 2001 | 15 May 2006 | \$0.107 |

Currently, these fair values are not recognised as expenses in the financial statements. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of \$222,626 for the 2004 financial year (2003: \$233,287). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. options that do not vest).

Directors' meetings

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

| NAME OF DIRECTOR | NUMBER OF MEETINGS HELD WHILE IN OFFICE | | | | NUMBER OF MEETINGS ATTENDED | | | |
|------------------|---|-------|--------------|------------|-----------------------------|-------|--------------|------------|
| | FORMAL | AUDIT | REMUNERATION | NOMINATION | FORMAL | AUDIT | REMUNERATION | NOMINATION |
| Graham W. Burke | 10 | - | 2 | - | 10 | - | 2 | - |
| William J. Conn | 10 | 2 | 2 | 1 | 9 | 2 | 2 | 1 |
| Peter E. Foo | 10 | - | - | - | 10 | - | - | - |
| Peter M. Harvie | 10 | - | - | - | 7 | - | - | - |
| Peter D. Jonson | 10 | 2 | - | - | 9 | 2 | - | - |
| John R. Kirby | 10 | - | - | 1 | 9 | - | - | 1 |
| Robert G. Kirby | 10 | - | - | - | 9 | - | - | - |
| D. Barry Reardon | 10 | 2 | 2 | 1 | 7 | 2 | 2 | 1 |

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

Tax consolidation

A description of the economic entity's position in relation to Australian Tax Consolidation legislation is set out in Note 4 of the Financial Report.

Rounding

The amounts contained in this report and in the financial statements have been rounded (where applicable) to the nearest thousand dollars under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors at Melbourne this 3rd day of September 2004.

Signed



G.W. Burke
Director

Statement of Financial Performance

for the year ended 30 June 2004

| | NOTES | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|-------|-----------------|-----------------|--------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Revenues from ordinary activities | (2) | 2,226,463 | 1,774,711 | 65,362 | 90,292 |
| Expenses from ordinary activities excluding borrowing costs expense | (2) | (2,082,193) | (1,728,730) | (48,126) | (56,168) |
| Borrowing costs expense | (2) | (76,091) | (46,757) | (4,054) | (4,853) |
| Share of net profits of associates and joint ventures accounted for using the equity method | (2) | 31,215 | 39,219 | - | - |
| Profit from ordinary activities before income tax expense | | 99,394 | 38,443 | 13,182 | 29,271 |
| Income tax revenue (expense) | (4) | (30,425) | (49,909) | 8,053 | - |
| Net profit (loss) after income tax expense | | 68,969 | (11,466) | 21,235 | 29,271 |
| Profit (loss) attributable to outside equity interest | | 16,752 | 14,550 | - | - |
| Net profit (loss) attributable to members of Village Roadshow Limited | | 52,217 | (26,016) | 21,235 | 29,271 |
| Net exchange difference on translation of accounts and net investments in foreign controlled and associated entities | (21) | (13,652) | (72,417) | 859 | 2,334 |
| Net increase in capital profits reserve | (21) | 20 | 58 | - | - |
| Other revenue, expense and initial adjustments recognised directly in equity | (21) | 555 | 3,557 | - | - |
| Total revenues, expenses and valuation adjustments attributable to members of Village Roadshow Limited and recognised directly in equity | | (13,077) | (68,802) | 859 | 2,334 |
| Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Village Roadshow Limited | | 39,140 | (94,818) | 22,094 | 31,605 |
| Basic earnings per share (cents per share) | (3) | 22.23 | (11.06) | | |
| Diluted earnings per share (cents per share) | | 22.23 | (11.06) | | |

Additional Disclosures – Dissection of Continuing & Discontinuing Results:

| | CONTINUING OPERATIONS | | DISCONTINUING OPERATIONS | | CONSOLIDATED | |
|---|-----------------------|-----------------|--------------------------|----------------|----------------|-----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Profit (loss) from ordinary activities before income tax expense | 110,827 | (23,334) | (11,433) | 61,777 | 99,394 | 38,443 |
| Income tax revenue (expense) | (30,425) | (53,331) | - | 3,422 | (30,425) | (49,909) |
| Net profit (loss) after income tax | 80,402 | (76,665) | (11,433) | 65,199 | 68,969 | (11,466) |
| Profit (loss) attributable to outside equity interest | 16,752 | 17,227 | - | (2,677) | 16,752 | 14,550 |
| Net profit (loss) attributable to members of Village Roadshow Limited (note 2) | 63,650 | (93,892) | (11,433) | 67,876 | 52,217 | (26,016) |

Statement of Financial Position

as at 30 June 2004

| | NOTES | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|-------|------------------|------------------|--------------------------|------------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| CURRENT ASSETS | | | | | |
| Cash assets | (6) | 110,076 | 177,730 | 32 | 4 |
| Receivables | (7) | 313,869 | 298,298 | 60 | 1,958 |
| Inventories | (8) | 2,669 | 2,835 | 208 | - |
| Film Library | (10) | 250,822 | 472,772 | - | - |
| Current tax assets | | 1,619 | 377 | - | - |
| Other | (11) | 23,073 | 21,018 | 822 | 251 |
| Total current assets | | 702,128 | 973,030 | 1,122 | 2,213 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | (7) | 198,236 | 205,665 | 1,046,817 | 1,228,660 |
| Radio Licences | (9) | 464,635 | 464,658 | - | - |
| Film Library | (10) | 523,104 | 640,129 | - | - |
| Investments accounted for using the equity method | (12) | 105,221 | 116,492 | 204 | 204 |
| Other financial assets | (13) | 7,601 | 7,643 | 737,720 | 718,156 |
| Property, Plant & Equipment | (14) | 251,547 | 280,758 | 10,502 | 11,217 |
| Deferred tax assets | | 24,916 | 25,644 | 17,904 | 189 |
| Intangible assets | (15) | 74,105 | 77,301 | - | - |
| Other | (11) | 111,785 | 113,331 | - | - |
| Total non-current assets | | 1,761,150 | 1,931,621 | 1,813,147 | 1,958,426 |
| Total assets | | 2,463,278 | 2,904,651 | 1,814,269 | 1,960,639 |
| CURRENT LIABILITIES | | | | | |
| Payables | (16) | 231,509 | 307,982 | 1,894 | 2,521 |
| Interest bearing liabilities | (17) | 268,987 | 514,786 | 1,463 | 1,297 |
| Current tax liabilities | | 12,513 | 9,927 | 1,213 | - |
| Provisions | (18) | 18,994 | 23,406 | 2,523 | 2,956 |
| Other | (19) | 2,513 | 6,430 | - | - |
| Total current liabilities | | 534,516 | 862,531 | 7,093 | 6,774 |
| NON-CURRENT LIABILITIES | | | | | |
| Payables | (16) | 53,750 | 62,480 | 123 | - |
| Interest bearing liabilities | (17) | 765,216 | 727,594 | 2,733 | 3,812 |
| Convertible notes | (17) | 13,461 | 25,598 | 13,461 | 25,598 |
| Deferred and other tax liabilities | | 127,191 | 125,403 | 15,343 | 1,612 |
| Provisions | (18) | 17,888 | 15,435 | 2,533 | 1,865 |
| Other | (19) | 2,538 | 7,617 | 800 | 1,019 |
| Total non-current liabilities | | 980,044 | 964,127 | 34,993 | 33,906 |
| Total liabilities | | 1,514,560 | 1,826,658 | 42,086 | 40,680 |
| Net assets | | 948,718 | 1,077,993 | 1,772,183 | 1,919,959 |
| EQUITY | | | | | |
| Parent entity interest | | | | | |
| Contributed equity | (20) | 755,351 | 925,221 | 755,351 | 925,221 |
| Convertible notes | (20) | 14,866 | 14,866 | 14,866 | 14,866 |
| Reserves | (21) | (58,987) | (88,133) | 4,703 | 3,844 |
| Retained Profits | (21) | 115,347 | 105,353 | 997,263 | 976,028 |
| Total parent interest in equity | | 826,577 | 957,307 | 1,772,183 | 1,919,959 |
| Total outside equity interest | (22) | 122,141 | 120,686 | - | - |
| Total equity | | 948,718 | 1,077,993 | 1,772,183 | 1,919,959 |

Refer Note 31 for details of the assets and liabilities relating to the discontinuing operations included in the Statement of Financial Position.

Statement of Cash Flows

for the year ended 30 June 2004

| | NOTES | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|-------|----------------|----------------|--------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from Customers | | 2,196,281 | 1,197,372 | - | - |
| Payments to Suppliers and Employees * | | (1,825,699) | (1,256,860) | (27,641) | (37,468) |
| Dividends and Distributions Received | | 6,992 | 37,897 | 17,325 | 21,404 |
| Interest Received | | 10,764 | 15,474 | 28,176 | 39,006 |
| Borrowing Costs | | (77,469) | (47,241) | (5,054) | (4,743) |
| Income Taxes Paid | | (32,760) | (14,506) | 5,281 | - |
| Partnership Profits Received | | 7,698 | 2,617 | - | - |
| Net cash flows from (used in) operating activities | (6) | 285,807 | (65,247) | 18,087 | 18,199 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchases of Property, Plant & Equipment | | (25,789) | (52,745) | (1,158) | (3,433) |
| Sale of Property, Plant & Equipment | | 12,614 | 134,337 | 170 | 3,631 |
| Purchase of Investments | | (31,640) | (53,898) | - | - |
| Sale of Investments | | 7,670 | 298,207 | - | 6,477 |
| Loans to Controlled Entities | | - | - | - | (956) |
| Loans to Other Entities | | (46,385) | (582,119) | - | - |
| Loans Repaid by Other Entities | | 66,962 | 177,318 | 162,498 | - |
| Other | | (221) | (106) | - | - |
| Net cash flows from (used in) investing activities | | (16,789) | (79,006) | 161,510 | 5,719 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Borrowings | | 809,788 | 498,535 | - | 1,537 |
| Repayment of Borrowings | | (962,633) | (387,315) | (9,699) | - |
| Dividends Paid | | (12,141) | (39,498) | - | (25,549) |
| Buy-back of shares | | (169,870) | (15,400) | (169,870) | - |
| Net cash flows from (used in) financing activities | | (334,856) | 56,322 | (179,569) | (24,012) |
| Net increase (decrease) in cash held | | (65,838) | (87,931) | 28 | (94) |
| Cash at Beginning of Year | | 177,730 | 265,661 | 4 | 98 |
| Effects of exchange rate changes on cash | | (1,816) | - | - | - |
| Cash at end of year | (6) | 110,076 | 177,730 | 32 | 4 |

Refer Note 31 for details of the net cash flows relating to the discontinuing operations included in the Consolidated Statement of Cash Flows.

*With effect from 11 February 2003, payments to suppliers include amounts to acquire film copyrights from third parties. Revenues earned from these copyright assets are derived over several years hence significant timing differences in cash flows can occur. During the year ended 30 June 2004, \$272.7 million was expended on copyright assets (for the period 11 February - 30 June 2003, this amount was \$257.5 million.)

Notes to the Financial Statements

for the year ended 30 June 2004

(1) Summary of significant accounting policies

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The financial statements have been prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(b) Principles of Consolidation

The consolidated financial statements are those of the economic entity, comprising Village Roadshow Limited (the chief entity) and all entities which the chief entity controlled from time to time during the year and at year's end.

The consolidated financial statements include the information contained in the financial statements of Village Roadshow Limited and each of its controlled entities as from the date the chief entity obtains control until such time as control ceases. Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of controlled entities are prepared for the same reporting period as the chief entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, and unrealised profits arising from intra-economic entity transactions, have been eliminated in full.

(c) Capitalisation of Borrowing Costs

Costs attributable to borrowings used to finance capital works are included in the cost of those works while those works are being completed.

(d) Recoverable Amount of Non-current Assets

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. Recoverable amounts are determined on the basis of expected future net cash flows derived from their use and subsequent disposal. The expected cash flows have been discounted to present values in determining recoverable amounts.

(e) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(f) Property, Plant and Equipment

Cost and Valuation

All classes of property, plant and equipment including freehold land and buildings on freehold land are measured at cost.

Depreciation and Amortisation

Buildings and improvements are depreciated over forty years using the straight line method.

Plant, equipment and vehicles are depreciated over periods of between three and 20 years using the straight line or reducing balance method.

Leasehold improvements are amortised over the unexpired occupancy periods generally between five and eight years using the straight line method. Finance lease assets are amortised over the period the economic entity is expected to benefit from the use of those assets, generally between three and five years.

These depreciation rates remain unchanged from the prior period.

(g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the economic entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale and Exploitation of Film Productions

Refer to note 1(s).

Sale of Other Goods

Control of the goods and the associated risks of ownership has passed to the buyer.

Rendering of Services

Control of a right to be compensated for the services has been attained. Where contracts span more than one reporting period, the stage of completion is based on an assessment of the value of work performed at that date. Income derived from airtime sales is recognised based on when services to the customers are rendered, that is when the advertising is aired. Where services are yet to be rendered, amounts are recorded as unearned revenue.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Control of a right to receive consideration for the investment in assets has been attained.

Royalties

Control of a right to receive consideration for the provision of the asset has been attained.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(h) Foreign Currency

Conversion of transactions

Transactions in foreign currencies of entities within the economic entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by entities within the economic entity that are outstanding at balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

Gains and losses arising from conversions of foreign currency transactions or balances, whether realised or unrealised, are brought to account in determining profit or loss for the period in which they occur, except for unrealised foreign currency gains or losses on long-term loans which form part of the net investment in self-sustaining foreign operations, which are taken to the foreign currency translation reserve.

Translation of overseas accounts

Where overseas operations are deemed to be integrated foreign operations the accounts are translated using the temporal method, otherwise, accounts are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

(i) Goodwill

Goodwill is amortised on a straight line basis over 20 years, this being the period in which the future benefits are expected to arise.

(j) Investments

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial report and the lower of cost and recoverable amount in the chief entity financial report. All other non-current investments are carried at the lower of cost and recoverable amount.

(k) Interests in Joint Ventures

Interests in unincorporated joint venture operations are accounted for by including the relevant share of output and expenses in operating results for the year and share of assets and liabilities under the appropriate classification categories in the statement of financial position. Interest in joint venture entities/partnerships where joint control exists are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial report.

(l) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred to entities within the economic entity, are classified as finance leases. All other leases are classified as operating leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments under operating leases are treated as expenses in the period in which they fall due for payment.

(m) Radio Licences

Austereo's Radio Licences are carried at original cost. This value is supported by an independent valuation which is commissioned annually and updated six monthly. The independent valuation employs as its primary valuation methodology a discounted cash flow analysis ("DCF") of the future projected cash flows of Austereo provided by management for six years adjusted for a termination value based on current market estimates. These are then discounted at rates which reflect Austereo's weighted average cost of capital as at the most recent balance date. The independent valuation also cross references its DCF-based valuation with a number of secondary valuation methodologies which are intended to determine the fair market value of the licences of Austereo's radio stations.

Directors are of the view that the depreciable amount of the Group's radio licenses is negligible, based on residual values calculated at the end of an outlook period over which projections can be prepared with a degree of confidence. Furthermore, the Directors see no reason why this situation should not prevail beyond this outlook period. The depreciable amount is being amortised over a period of 20 years for the purpose of the financial statements.

(n) Valuation of Inventories

Inventories are valued at the lower of cost and net realisable value and are accounted for on a first in first out basis.

(o) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date.

These benefits include wages and salaries, annual leave and long service leave.

In respect of the economic entity's superannuation and retirement plans described in Note 25, any contributions made to the plans by the entities within the economic entity are charged against profits when due.

(p) Earnings per Share

Basic earnings per share is determined by dividing the net profit attributable to members and after preference dividends by the weighted average number of ordinary shares adjusted for any bonus element.

Diluted earnings per share is determined by dividing the operating profit after tax and after preference dividends adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year, adjusted for any bonus element.

(q) Income Tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed

as a deferred tax asset or a deferred tax liability. The net deferred tax asset relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where the earnings of overseas entities are subject to taxation under the Controlled Foreign Corporation rules, this tax has been provided for in the accounts.

Income from film production activities earned in offshore jurisdictions is evaluated on an annual basis. A determination is made as to the likelihood of repatriation of profits to Australia, and where it is virtually certain that no repatriation will occur in the foreseeable future the income is not tax effected for Australian purposes.

Tax Consolidation

For Australian income tax purposes, various entities in the economic entity have formed or intend to form Tax Consolidated groups, and have executed or intend to execute combined Tax Sharing and Tax Funding agreements ("TSA's") in order to allocate income tax expense to the relevant wholly-owned entities on a stand-alone basis. In addition, the TSA's provide for the allocation of income tax liabilities between the entities should the head entity default on its income tax payment obligations to the Australian Taxation Office.

The relevant head entities of the Tax Consolidated groups recognise current and deferred tax amounts relating to transactions, events and balances of the relevant wholly-owned entities in the relevant tax group as if those transactions, events and balances were their own, in addition to the current and deferred tax amounts arising in relation to their own transactions, events and balances. Expenses and revenues arising under the TSA's are recognised as components of income tax expense (revenue) in each wholly-owned entity.

Under the terms of the TSA's, the wholly-owned entities reimburse the relevant head entities for any income tax amounts receivable or payable in respect of stand-alone activities. Amounts receivable or payable under the TSA's are included with other amounts receivable or payable between group entities.

Refer also Note 4 for additional disclosures relating to tax consolidation.

(r) Financial Instruments

Accounting policies with respect to financial instruments including derivatives are included at Note 32.

(s) Film Production

(i) Producer & Overhead Fees Receivable

Prior to the acquisition of the additional 80.1% equity in Village Roadshow Films (BVI) Limited ("VRF") by the Village Roadshow Limited Group ("VRL group") effective 11 February 2003, all Producer & Overhead fees receivable by the VRL group (including Producer & Overhead fees receivable from VRF) were recognised as income.

From 11 February 2003 onwards, only Producer & Overhead fees receivable from parties other than VRF have been

recognised as income, and Producer & Overhead fees receivable by the VRL group from VRF have been eliminated against the Film Cost asset shown in the Statement of Financial Position.

(ii) Recognition of Film Production Revenue and Expenses

Revenue and Expenses – General

All revenue and expenses (except Film Production costs) are recognised in the Statement of Financial Performance as they are incurred. Revenue includes Producer & Overhead fees from parties other than VRF and film exploitation revenues. Expenses include prints & advertising, sub-distribution fees, participations & residuals, studio participations, divisional overheads and financing costs.

Film Production Costs

Film Production costs relate to the acquisition of film rights from third parties, in relation to all territories excluding USA and Canada.

Amortisation of Film Production Costs

Film Production Costs are capitalised in the Statement of Financial Position and amortised in accordance with Accounting Standard 1009: Construction Contracts. The progressive amortisation required is calculated to reflect expected ultimate profits on a pro-rata basis, dependent on the ratio of revenue earned to balance date as a percentage of total revenue expected to be earned over the lifetime of all films comprising the relevant film portfolio. In the event an ultimate loss is projected for all films in the portfolio, an amount equivalent to this loss will be written-off immediately.

Revenue expected to be earned over the lifetime of each film includes theatrical, DVD/video & television streams.

(t) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable and constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends have been declared, determined or publicly recommended, and if necessary, shareholder approval has been obtained, on or before the reporting date.

(u) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | NOTES | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------|----------------|----------------|--------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (2) Revenues and expenses | | | | | |
| (a) Reconciliation of Operating Profit | | | | | |
| Profit (loss) from ordinary activities before income tax expense | | 99,394 | 38,443 | 13,182 | 29,271 |
| Less: Discontinuing Operations profit (loss) before tax | (31) | (11,433) | 61,777 | - | - |
| Less: Specific Items profit (loss) before tax | (2 (e)) | (4,857) | (127,145) | - | - |
| Profit (loss) before tax excluding Discontinuing Operations & Specific Items | | 115,684 | 103,811 | 13,182 | 29,271 |
| Income tax expense excluding Discontinuing Operations & Specific Items | | (30,425) | (24,376) | 8,053 | - |
| Profit attributable to Outside Equity Interests excluding Discontinuing Operations & Specific Items | | (16,752) | (18,385) | - | - |
| Net profit attributable to members excluding Discontinuing Operations & Specific Items | | 68,507 | 61,050 | 21,235 | 29,271 |
| (b) Revenues from ordinary activities | | | | | |
| <i>Revenues from operating activities</i> | | | | | |
| Revenue from sale and exploitation of film productions | | 1,475,446 | 557,019 | - | - |
| Rendering of other services | | 685,217 | 729,985 | 2,470 | 2,716 |
| | | 2,160,663 | 1,287,004 | 2,470 | 2,716 |
| <i>Revenues from non-operating activities</i> | | | | | |
| Commissions/Fees | | 8,509 | 26,347 | 11,323 | 12,925 |
| Dividends from – | | | | | |
| Controlled entities | | - | - | 17,325 | 21,404 |
| Other entities | | 144 | 189 | - | 115 |
| Interest from – | | | | | |
| Other entities | | 10,512 | 8,042 | 2 | 21 |
| Associated entities (cinema interests) | | 1,043 | 7,432 | - | - |
| Controlled entities | | - | - | 28,174 | 38,985 |
| Sale of other non-current assets * | | 16,675 | 418,073 | 170 | 10,108 |
| Rental income | | 3,761 | 4,342 | 1 | 1 |
| Other income | | 25,156 | 23,282 | 5,897 | 4,017 |
| | | 65,800 | 487,707 | 62,892 | 87,576 |
| Total revenues from ordinary activities | | 2,226,463 | 1,774,711 | 65,362 | 90,292 |
| * Includes \$266.0 million in 2003 relating to net loss on sale of assets disclosed as Specific Items – refer note 2(e). Also includes \$131.4 million in 2003 in relation to discontinuing operations, being mainly for the sale of the Korean and Malaysian associates. | | | | | |
| Share of net profits (losses) of associates and joint venture entities/partnerships accounted for using the equity method | | | | | |
| Share of associates' net profits | (12 (a)) | 27,896 | 36,602 | - | - |
| Share of joint venture entities'/partnerships' net profits | (12 (b)) | 3,319 | 2,617 | - | - |
| | | 31,215 | 39,219 | - | - |

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|------------------|------------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (2) Revenues and expenses <i>continued</i> | | | | |
| (c) Expenses | | | | |
| Employee expenses – | | | | |
| Employee benefits | 12,745 | 10,987 | 1,138 | 1,401 |
| Remuneration and other employee expenses | 172,731 | 171,926 | 21,678 | 21,994 |
| Total Employee expenses | 185,476 | 182,913 | 22,816 | 23,395 |
| Cost of goods sold | 24,356 | 17,162 | – | – |
| Occupancy expenses – | | | | |
| Operating lease rental – minimum lease payments | 62,671 | 88,822 | 836 | 961 |
| Operating lease rental – contingent rental payments | 1,496 | 1,592 | – | – |
| Other occupancy expenses | 34,123 | 35,494 | 491 | 470 |
| Total occupancy expenses | 98,290 | 125,908 | 1,327 | 1,431 |
| Film hire and other film expenses | 972,786 | 571,092 | – | – |
| Depreciation of – | | | | |
| Buildings & improvements | 1,286 | 4,327 | – | – |
| Plant, equipment & vehicles | 26,861 | 36,159 | 1,004 | 1,413 |
| Amortisation of – | | | | |
| Goodwill | 3,251 | 2,694 | – | – |
| Leasehold improvements | 7,794 | 6,326 | 28 | 19 |
| Finance lease assets | 3,526 | 2,692 | 1,273 | 491 |
| Goodwill on consolidation | 1,641 | 941 | – | – |
| Deferred expenditure | 1,158 | 552 | 742 | 251 |
| Radio Licences | 300 | 300 | – | – |
| Other intangibles | 20 | 159 | – | – |
| Film Library | 564,108 | 101,279 | – | – |
| Total depreciation and amortisation | 609,945 | 155,429 | 3,047 | 2,174 |
| Net book value of assets sold * | 21,009 | 341,468 | 174 | 9,456 |
| Net realised foreign currency (gains)/losses | (3,763) | 200 | – | (11) |
| Deferred expenditure and developments costs written off | 3,466 | 24,511 | 3,408 | – |
| Write-off of costs relating to Film Production finance restructuring (refer note 2(e)) | – | 49,356 | – | – |
| Write-down of assets and loans (refer note 2(e)) | – | 75,861 | 669 | – |
| Management and services fees paid | 5,592 | 4,186 | – | 2,739 |
| Advertising and promotions | 24,495 | 29,201 | 14 | 2,040 |
| Regulatory and licencing fees | 14,773 | 16,803 | 114 | 147 |
| Settlement and other discounts | 17,241 | 16,474 | – | – |
| Telecommunications | 7,511 | 6,829 | 685 | 594 |
| General and administration expenses | | | | |
| Provision for doubtful debts | 2,768 | 5,728 | – | 21 |
| Bad debts written off – other | (619) | 502 | 25 | 70 |
| Other general and administration expenses | 98,867 | 105,107 | 15,847 | 14,112 |
| Total general and administration expenses | 101,016 | 111,337 | 15,872 | 14,203 |
| Total expenses excluding borrowing costs expense | 2,082,193 | 1,728,730 | 48,126 | 56,168 |
| Borrowing costs expense – | | | | |
| Associate and other entities | 18,183 | 20,916 | 3,594 | 4,610 |
| Finance lease interest | 773 | 738 | 313 | 133 |
| Other borrowing expenses | 57,135 | 25,103 | 147 | 110 |
| Total Borrowing costs expense | 76,091 | 46,757 | 4,054 | 4,853 |

Refer note 31 for details of revenues and expenses from discontinuing operations included in the above revenues and expenses.

* Includes \$265.2 million in 2003 relating to net loss on sale of assets disclosed as Specific Items – refer note 2(e). Also includes \$54.8 million in 2003 in relation to discontinuing operations, being mainly for the sale of the Korean and Malaysian associates.

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (2) Revenues and expenses <i>continued</i> | | | | |
| (d) Losses and gains | | | | |
| Net Profit (loss) on sale of: | | | | |
| Property, plant & equipment | (6,683) | 1,325 | (4) | (4) |
| Investments * | 2,399 | 75,340 | - | 656 |
| Profit on redemption of convertible notes | 4,467 | 526 | 4,467 | 526 |
| * Includes \$76.8 million in 2003 relating to discontinuing operations, being mainly for the sale of the Korean associate. | | | | |
| (e) Specific items | | | | |
| The following items are relevant in explaining the financial performance of the group. | | | | |
| Loss on disposal of assets | (4,857) | - | - | - |
| Write-down of assets and loans | - | (75,861) | - | - |
| Write-off of costs relating to Film Production finance restructuring | - | (49,356) | - | - |
| Net loss on sale of assets & provisions for legal costs & lease exit costs | - | (1,928) | - | - |
| Total profit (loss) from specific items before tax | (4,857) | (127,145) | - | - |
| Provision for non-current tax liabilities | - | (28,955) | - | - |
| Total profit (loss) from specific items after tax | (4,857) | (156,100) | - | - |
| Outside Equity Interest | - | 1,158 | - | - |
| Total attributable profit (loss) from specific items after tax | (4,857) | (154,942) | - | - |

(3) Earnings per share

| | CONSOLIDATED | |
|--|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| (a) Earnings Per Share: | | |
| Basic EPS | 22.23 cents | (11.06) cents |
| Total EPS (Note i) | 11.44 cents | (5.35) cents |
| (b) Earnings Per Share adjusted to eliminate discontinuing operations and specific items from the calculations (Note ii): | | |
| Basic EPS | 29.17 cents | 25.96 cents |
| Total EPS (Note i) | 15.00 cents | 12.55 cents |

Weighted average number of issued Ordinary shares during the year used in determining earnings per Ordinary share (basic) was 234,885,861 (2003: 235,178,467). The weighted average number of total issued shares during the year used in determining total earnings per share (basic) was 456,586,624 (2003: 486,374,946).

There are no potential ordinary shares that are dilutive.

(i) Total EPS represents Earnings Per Share on total Ordinary and A Class Preference shares. This is an alternative form of measurement to Basic EPS.

(ii) Alternative disclosure based on attributable net profit of \$68.507 million (2003 \$61.050 million).

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (4) Income tax | | | | |
| Prima facie income tax attributable to reported profit from ordinary activities | 29,818 | 11,533 | 3,955 | 8,781 |
| Which is adjusted for – | | | | |
| Tax effect of permanent differences | | | | |
| Non tax deductible expenses | 1,213 | 1,731 | 388 | 177 |
| Other deductible amounts | (4,415) | – | – | – |
| Rebatable dividends | – | – | (5,198) | (6,421) |
| Non taxable income | – | (3,258) | – | – |
| Adjustments relating to overseas subsidiaries | 3,591 | – | – | – |
| Provision for non-current tax liabilities (refer note 2(e)) | – | 28,955 | – | – |
| Current losses not booked | 6,607 | 22,714 | – | – |
| Prior year losses not previously brought to account | – | – | (7,198) | (2,537) |
| After-tax equity (profits) losses included in pre-tax profit | (5,779) | (10,981) | – | – |
| After-tax partnership (profits) losses included in pre-tax profit | (995) | (785) | – | – |
| Other | 385 | – | – | – |
| Total income tax expense (revenue) | 30,425 | 49,909 | (8,053) | – |
| The following future income tax benefits arising from tax losses of controlled entities have not been brought to account as realisation of those benefits is not virtually certain – | | | | |
| Benefits for revenue losses | 82,082 | 73,391 | – | – |
| Benefits for capital losses | 29,864 | 29,976 | – | – |

These benefits will only be obtained if:

- the entity derives future assessable income of a nature and amount sufficient to enable the benefits of deductions for the losses to be realised;
- there is continuity of compliance with the conditions for deductibility, imposed by law; and
- no changes in tax legislation adversely affect the entity from realising the benefits of deductions for the losses.

Austereo Group Limited – Tax Consolidation

Effective from 1 July 2002, Austereo Group Limited (“AGL”) and its relevant wholly-owned entities have formed a Tax Consolidated group. Members of the group have entered into a combined Tax Sharing and Tax Funding agreement (“TSA”) in order to allocate income tax expense to the wholly-owned entities on a stand-alone basis. In addition, the TSA provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations to the Australian Taxation Office. At balance date, the possibility of default is remote. The head entity of the Tax Consolidated group is AGL. AGL has formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

The AGL group has reset the tax values of some of the assets of its wholly-owned entities, which has not resulted in any material impact on the financial statements of AGL or the AGL group for the year ended 30 June 2004.

Village Roadshow Limited – Tax Consolidation

Effective from 1 July 2003, Village Roadshow Limited (“VRL”) and its relevant wholly-owned entities intend to form a Tax Consolidated group. Members of the Tax Consolidated group also intend to enter into a TSA in order to allocate income tax expense to the wholly-owned entities on a stand-alone basis. In addition, the TSA will provide for the allocation of income tax liabilities between the entities should the head entity default on its income tax payment obligations to the Australian Taxation Office. At balance date, the possibility of default is remote. The head entity of the Tax Consolidated group will be VRL. The accounts of VRL and the VRL group for the year ended 30 June 2004 have been prepared on this basis.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(4) Income tax *continued*

Village Roadshow Limited – Tax Consolidation *continued*

The deferred tax balances recognised by VRL in relation to wholly-owned entities joining the Tax Consolidated group are currently measured based on their carrying amounts prior to the implementation of the Tax Consolidation regime. There is a possibility that VRL will reset the tax values of some of the assets of its wholly owned entities which may result in the re-measurement of related deferred tax balances based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values. Any such re-measurement is not expected to have a material impact on the financial statements of VRL or the VRL group for the year ended 30 June 2004.

The economic entity has not yet determined the amount of revenue and capital losses that will be transferred into the VRL Tax Consolidation group.

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (5) Dividends | | | | |
| (a) Dividends paid during the year | | | | |
| A Class Preference Shares | | | | |
| No dividends were paid in respect of Preference shares in the year ended 30 June 2004 (2003: 10.175 cents per share, franked to 9.205 cents) | - | 25,640 | - | 25,640 |
| No dividends were paid in respect of Ordinary shares in the years ended 30 June 2004 or 30 June 2003. | | | | |
| Franking credit balance as at the end of the financial year (at 30%) | | | 16,809 | 2,190 |

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (6) Statement of cash flows | | | | |
| (a) Reconciliation of cash | | | | |
| Cash balance comprises: | | | | |
| Cash on hand and at bank | 45,421 | 83,093 | 7 | 4 |
| Deposits at call | 64,655 | 94,637 | 25 | - |
| | 110,076 | 177,730 | 32 | 4 |
| (b) Reconciliation of operating profit after tax to net operating cash flows | | | | |
| Net operating profit (loss) | 68,969 | (11,466) | 21,235 | 29,271 |
| Adjust for: | | | | |
| Depreciation | 28,147 | 40,486 | 1,003 | 1,413 |
| Amortisation | 581,798 | 114,943 | 2,044 | 761 |
| Provisions | 2,888 | 87,723 | 932 | 538 |
| (Profit) loss on disposal of assets | 4,334 | (76,605) | 4 | (652) |
| Non-operating expense (VRF write-down - refer note 1 to Note 6(c)) | - | 28,887 | - | - |
| Exchange (profit)/loss | (74) | 200 | - | (11) |
| Share of equity accounted profits not received as dividends or distributions | (16,668) | 1,189 | - | - |
| Profit on conversion of convertible notes | (4,467) | (526) | (4,467) | (526) |
| Changes in assets & liabilities: | | | | |
| Trade receivables | (23,688) | (161,441) | 1,899 | (1,752) |
| Trade creditors | (79,986) | 118,858 | (627) | (9,772) |
| Tax payable | 1,343 | 4,844 | - | - |
| Unearned income | (1,575) | (2,639) | - | - |
| Other payables and provisions | (1,231) | 10,445 | 1,826 | - |
| Film library (refer note 1 to Note 6(b)) | (272,707) | (257,474) | - | - |
| Inventories | 165 | (69) | (208) | - |
| Capitalised borrowing costs | (1,334) | (69) | - | - |
| Non current tax liabilities | (3,679) | 30,559 | (3,984) | - |
| Prepayments and other assets | 3,572 | 6,908 | (1,570) | (1,071) |
| Net operating cash flows | 285,807 | (65,247) | 18,087 | 18,199 |

Note 1. With effect from 11 February 2003, payments to suppliers showing in the Statement of Cash Flows include amounts to acquire film copyrights from third parties. Revenues earned from these copyright assets are derived over several years hence significant timing differences in cash flows can occur. During the year ended 30 June 2004, \$272.7 million was expended on copyright assets (for the period 11 February - 30 June 2003, this amount was \$257.5 million).

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | |
|---|--------------|-----------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| (6) Statement of cash flows <i>continued</i> | | |
| (c) Acquisition and disposal of controlled entities | | |
| Effective 11 February 2003, the economic entity increased its ownership of Village Roadshow Films (BVI) Limited ("VRF") from 19.9% to 100%. The aggregate net assets acquired were: | | |
| Cash assets | - | 78 |
| Security deposits | - | 105,356 |
| Film library | - | 934,900 |
| Setup costs | - | 22,489 |
| Payables | - | (484) |
| Non-current interest bearing liabilities | - | (807,464) |
| Fair value of net assets acquired | - | 254,875 |
| Cash consideration paid | - | 254,875 |

Note 1. An additional equity premium of \$28.9 million was paid in respect of the acquisition of VRF. This was not included in VRF's pre-acquisition balance sheet and has since been written off on consolidation.

Note 2. The amounts shown above in relation to the acquisition of VRF are calculated based on the 30 June 2003 USD/AUD exchange rate of 0.6670. The USD/AUD exchange rate at acquisition date of 11 February 2003 was 0.5927.

(d) Undrawn credit facilities

The economic entity has undrawn credit facilities at balance date of \$687.1 million (2003: \$525.5 million) which includes \$491.3 million (2003: \$337.2 million) relating to Village Roadshow Films (BVI) Limited.

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (7) Receivables | | | | |
| <i>Current:</i> | | | | |
| Trade and other debtors | 327,951 | 295,326 | 130 | 1,958 |
| Provision for doubtful debts | (23,906) | (17,658) | (70) | - |
| | 304,045 | 277,668 | 60 | 1,958 |
| Due from associated entities | 8,927 | 20,151 | - | - |
| Other advances | 897 | 479 | - | - |
| | 313,869 | 298,298 | 60 | 1,958 |
| <i>Non-current:</i> | | | | |
| Unsecured advances – other | 34,571 | 26,999 | 53 | 7 |
| Provision for non recovery | (1,137) | (2,598) | - | - |
| | 33,434 | 24,401 | 53 | 7 |
| Secured advances – executive loans ¹ (refer also Note 26) | 25,866 | 27,638 | - | - |
| Provision for non recovery ² | (1,572) | (828) | - | - |
| | 24,294 | 26,810 | - | - |
| Owing by – | | | | |
| Associated entities ³ | 176,083 | 189,428 | - | - |
| Provision for non recovery | (35,575) | (34,974) | - | - |
| | 140,508 | 154,454 | - | - |
| Controlled entities – secured | - | - | 1,046,764 | 1,228,653 |
| | 140,508 | 154,454 | 1,046,764 | 1,228,653 |
| | 198,236 | 205,665 | 1,046,817 | 1,228,660 |

¹ Under the terms of the Executive & Employee Option Plan Loan Facility, dividends are used to repay the interest accrued with any surplus dividend payment used to repay the capital amount of the loan.

Under the terms of the Executive Share Plan Loan Facility, the first 10 cents of every dividend per share is used to repay the interest accrued and 50% of any remaining dividend per share is used to repay the capital amount of the loan.

Under the terms of the Austereo Group Limited Executive Share Plan & Loan Facility, the first 6 cents of every dividend per share is used to repay the interest accrued and 50% of any remaining dividend per share is used to repay the capital amount of the loan.

² Provision for non-recovery against secured advances – executive loans, relates to the non-declaration of dividends by Village Roadshow Limited, which impacts the recovery of accrued interest.

³ Amounts owing by associated entities includes a loan to Village Cinemas SA, the group's associated company in Argentina, of A\$23.7 million, based on 30 June 2004 exchange rates. The carrying value of this loan is susceptible to further changes in the Peso/AUD exchange rate.

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|------------------------------------|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (8) Inventories | | | | |
| <i>Current:</i> | | | | |
| Merchandise held for resale – cost | 2,669 | 2,835 | 208 | - |
| (9) Radio licences | | | | |
| At cost | 465,835 | 465,558 | - | - |
| Less amortisation | (1,200) | (900) | - | - |
| | 464,635 | 464,658 | - | - |

As at 30 June 2004, Austereo Group Limited reflect the value of Radio Licences at cost (less accumulated amortisation) of \$926.7 million. This value is supported by an independent valuation which is commissioned annually and updated six monthly. The carrying value of Radio Licences by Austereo Group Limited is currently below the lower end of the range of estimates provided by the independent valuer. The Village Roadshow Limited group has continued to record these Radio Licences at original cost (less accumulated amortisation) of \$464.6 million. Both the \$926.7 million and \$464.6 million amounts referred to above represent 100% of the Radio Licences.

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (10) Film library | | | | |
| <i>Current:</i> | | | | |
| Film library – at cost | 462,585 | 505,136 | - | - |
| Less amortisation | (211,763) | (32,364) | - | - |
| | 250,822 | 472,772 | - | - |
| <i>Non-current:</i> | | | | |
| Film library – at cost | 964,749 | 696,083 | - | - |
| Less amortisation | (441,645) | (55,954) | - | - |
| | 523,104 | 640,129 | - | - |
| (11) Other assets | | | | |
| <i>Current:</i> | | | | |
| Film projects, production advances and other work in progress (net) | 3,343 | 8,144 | - | - |
| Prepayments | 7,531 | 9,485 | 822 | 251 |
| Distribution rights (net) and other assets | 12,199 | 3,389 | - | - |
| | 23,073 | 21,018 | 822 | 251 |
| <i>Non-current:</i> | | | | |
| Security deposits | 102,739 | 110,878 | - | - |
| Other assets | 9,046 | 2,453 | - | - |
| | 111,785 | 113,331 | - | - |

| | NOTES | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|--------|----------------|----------------|--------------------------|----------------|
| | | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (12) Investments accounted for using the equity method | | | | | |
| <i>Non-current:</i> | | | | | |
| Investments in associates – unlisted shares | | 107,853 | 116,625 | 204 | 204 |
| Provision for diminution in value | | (12,012) | (12,012) | - | - |
| | 12 (a) | 95,841 | 104,613 | 204 | 204 |
| Investments – joint venture entities/partnerships | 12 (b) | 9,380 | 11,879 | - | - |
| | | 105,221 | 116,492 | 204 | 204 |

(a) Investments in associates

(i) Share of associates' profits/(losses)

| | | | | | |
|---|--|----------|---------|--|--|
| Operating profits/(losses) before income tax | | 40,733 | 48,030 | | |
| Income tax (expense)/benefit attributable to operating profits/(losses) | | (11,040) | (9,749) | | |
| Operating profits/(losses) after income tax | | 29,693 | 38,281 | | |
| Amortisation of goodwill on acquisition | | (1,797) | (1,679) | | |
| Share of associates' profits/(losses) | | 27,896 | 36,602 | | |

(ii) Summarised contribution to profits/(losses) by entity:

| ENTITY | EQUITY SHARE OF PROFITS/ (LOSSES) AFTER TAX | |
|---|--|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Ballarat Cinemas Pty. Limited | (207) | (202) |
| CGV Company Limited | - | 4,950 |
| Dartina Developments Limited | 2,940 | 2,672 |
| Golden Village Regional Pte. Limited | (599) | - |
| Radio Newcastle Pty. Limited | 352 | 991 |
| Roadshow Distributors Pty. Limited | 14,427 | 8,109 |
| Roadshow Unit Trust | 1,785 | 1,226 |
| Sea World Property Trust | 6,946 | 7,254 |
| Tri-Village Developments BV | (257) | 4,217 |
| Village Cinemas SA | - | - |
| Warner Village Cinemas SPA | (29) | - |
| Warner Village Exhibition Limited | (91) | 4,839 |
| Val Morgan Holdings Pty. Limited | 2,568 | 1,809 |
| Village Roadshow Distributors SA (previously Warner Roadshow Film Distributors Greece SA) | (85) | (18) |
| Warner Village (Design & Build) Limited | 200 | 425 |
| Other | (54) | 330 |
| | 27,896 | 36,602 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(12) Investments accounted for using the equity method *continued*

(a) Investments in associates *continued*

(iii) Equity accounted share of associates:

| | CONSOLIDATED | |
|--|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Accumulated profits/(losses): | | |
| At beginning of year | (3,458) | (6,073) |
| At end of year | 2,004 | (3,458) |
| Other reserves: | | |
| At beginning of year | (7,378) | (1,301) |
| At end of year | (6,789) | (7,378) |
| (iv) Carrying amount of investments in associates: | | |
| Balance at beginning of year | 104,613 | 151,632 |
| Investments equity accounted for the first time | - | 65 |
| Net increase / (decrease) in cost of Investments | (4) | (24,985) |
| Investments no longer equity accounted | (2,155) | - |
| Investments sold | (15,139) | (47,088) |
| Tax on unit trust and partnership profits | 4,772 | 2,380 |
| Share of associates' profit (loss) | 27,896 | 36,602 |
| Dividends from associates | (24,540) | (7,916) |
| Share of associates' increase (decrease) in reserves | 398 | (6,077) |
| Balance at end of year | 95,841 | 104,613 |

Equity accounted carrying amount of investments in associates represented by:

| NAME | BUSINESS | % OWNED | CONSOLIDATED CARRYING VALUES | |
|--|------------------------|---------|---------------------------------|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| All Asia Radio Technologies Sdn Bhd | Music media | 50.00% | 72 | 193 |
| Ballarat Cinemas Pty. Limited | Cinema owner | 50.00% | 4,002 | 4,209 |
| Cinematografica Junin SA ¹ | Cinema investor | 55.00% | - | - |
| CGV Company Limited ² | Cinema operator | - | - | - |
| Dartina Development Limited | Multiplex investor | 50.00% | 3,163 | 429 |
| Five Hundred Chapel Street Pty. Limited | Nominee company | 50.00% | 158 | 158 |
| Golden Village Regional Pte. Limited | Cinema investor | 50.00% | 825 | - |
| Perth FM Facilities Pty. Limited ¹ | Radio transmitter | 66.70% | 489 | 512 |
| Radio Newcastle Pty. Limited | Radio broadcaster | 50.00% | 5,145 | 4,912 |
| Roadshow Distributors Pty. Limited | Film distributors | 50.00% | 37,124 | 22,435 |
| Roadshow Unit Trust ³ | Film distributor to TV | - | - | 12,151 |
| Sea World Property Trust | Theme park lessor | 50.00% | 30,290 | 33,288 |
| Subiaco Cinemas Unit Trust | Cinema operator | 24.90% | 242 | 306 |
| Sydney FM Facilities Pty. Limited | Radio transmitter | 50.00% | 502 | 494 |
| Tri-Village Developments BV | Cinema developer | - | - | 9,822 |
| Val Morgan Holdings Pty. Limited ⁴ | Cinema advertiser | - | - | 1,974 |
| Village Cinemas SA ¹ | Cinema operator | 55.00% | - | - |
| Village Sky City Cinemas Limited (previously Village Force Cinemas Limited) | Cinema manager | 50.00% | 795 | 758 |
| | | c/fwd | 82,807 | 91,641 |

(12) Investments accounted for using the equity method *continued*

(a) Investments in associates *continued*

(iv) *Carrying amount of investments in associates continued:*

| NAME | BUSINESS | % OWNED | CONSOLIDATED CARRYING VALUES | |
|--|--------------------------|---------|------------------------------|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 82,807 | 91,641 |
| Village Roadshow Distributors SA (previously Warner Roadshow Film Distributors Greece SA) ⁵ | Film distribution | – | – | 616 |
| Warner Village (Design & Build) Limited | Cinema design & building | 50.00% | 1,446 | 1,167 |
| Warner Village (D&B) Limited | Cinema design & building | 49.99% | 279 | 262 |
| Warner Village Cinemas SPA | Cinema owner/operator | 45.00% | – | – |
| Warner Village Exhibition Limited | Cinema operator | 49.99% | 11,061 | 10,574 |
| Other equity accounted entities in aggregate | N/A | N/A | 248 | 353 |
| | | | 95,841 | 104,613 |

¹ Although the economic entity has ownership interests of more than 50% in the issued share capital of Village Cinemas SA (and its subsidiary, Cinematografica Junin SA) and Perth FM Facilities Pty. Limited, it does not control the voting rights. Consequently, it has been determined with reference to AASB 1016: Accounting for Investments in Associates, that the economic entity has significant influence over these entities as opposed to control. They have therefore been accounted for as associates.

² Effective 20 September 2002, as part of the ongoing strategy of restructuring the Exhibition division, the Company sold its 50% interest in CGV Company Ltd, the operator of the Korean cinema circuit.

³ The 50% investment in the Roadshow Unit Trust was sold to Roadshow Distributors Pty. Ltd. effective 30 June 2004.

⁴ Effective 24 December 2002, the Village Roadshow Ltd. group acquired 33.33% of the Val Morgan Holdings Pty. Ltd. group, with the other 66.67% acquired by two other cinema exhibition groups equally. This acquisition resulted from the restructure of the screen advertising business conducted by Val Morgan (Australia) Pty. Ltd. and MEG Holdings Ltd. As part of the regulatory approvals for this acquisition, two of the three parties were required to divest their interests by no later than 24 June 2004. The Village Roadshow Ltd. group disposed of its 33.33% interest effective 27 February 2004.

⁵ Effective 15 January 2004, the Village Roadshow Ltd. group acquired the remaining 50% of the shares in Village Roadshow Distributors SA (previously Warner Roadshow Film Distributors Greece SA), and from that date onwards consolidated that entity.

(v) *Share of net assets of associates*

The economic entity's share of net assets of associates in aggregate is:

| | CONSOLIDATED | |
|-------------------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Current assets | 172,332 | 191,999 |
| Non-current assets | 272,172 | 514,854 |
| Current liabilities | (127,981) | (173,240) |
| Non-current liabilities | (241,929) | (427,492) |
| Net assets | 74,594 | 106,121 |

(vi) *Events Subsequent to Reporting Date:*

No event has occurred after reporting date in relation to any associated entity which could materially affect their financial position or operating performance.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(12) Investments accounted for using the equity method *continued*

(a) Investments in associates *continued*

(vii) The annual balance date of associated entities is 30 June except for the following:

| | |
|---|-------------|
| Sea World Property Trust | 31 December |
| Warner Village Cinemas Company Limited | 30 November |
| Warner Village Cinemas SPA | 30 November |
| Warner Village (D&B) Limited | 30 November |
| Warner Village (Design & Build) Limited | 30 November |
| Warner Village Exhibition Limited | 30 November |
| Warner Village Investments Limited | 30 November |
| Warner Village Trustees Limited | 30 November |

(b) Interests in joint venture entities/partnerships

(i) Share of joint venture entities'/partnerships' profits/(losses):

| | CONSOLIDATED | |
|---|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Operating profits/(losses) before income tax | 4,741 | 3,739 |
| Income tax revenue (expense) attributable to operating profits/(losses) | (1,422) | (1,122) |
| Operating profits/(losses) after income tax | 3,319 | 2,617 |
| Amortisation of goodwill on acquisition | - | - |
| Share of joint venture entities'/partnerships' profits/(losses) | 3,319 | 2,617 |

(ii) Summarised contribution to profits/(losses) by entity:

| ENTITY | EQUITY SHARE OF PROFITS/ (LOSSES) AFTER TAX | |
|--|--|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Albury Regent Cinemas Partnership | 372 | 287 |
| Sea World Aviation Partnership | 80 | 241 |
| Sea World Enterprises Partnership | 15 | (143) |
| Tasmanian Cinemas Partnership | (92) | (277) |
| Warner Village Exhibition Management Partnership | 390 | 79 |
| Warner Village Cinema Management Partnership | 12 | 261 |
| Warner Village Theme Parks Partnership | 2,542 | 2,169 |
| | 3,319 | 2,617 |

(iii) Equity accounted share of joint venture entities/partnerships:

| | | |
|-------------------------------|--------|--------|
| Accumulated profits/(losses): | | |
| At beginning of year | 21,106 | 20,291 |
| At end of year | 18,345 | 21,106 |
| Other reserves: | | |
| At beginning of year | - | - |
| At end of year | - | - |

(12) Investments accounted for using the equity method *continued*

(b) Interests in joint venture entities/partnerships *continued*

(iv) Carrying amount of investment in joint venture entities/ partnerships:

| | CONSOLIDATED | |
|--|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Balance at beginning of year | 11,879 | 180,701 |
| Share of operating profit before tax | 4,741 | 3,740 |
| Net distributions | (7,549) | (157,814) |
| Change in carrying value due to currency revaluation | 309 | (14,748) |
| Balance at end of year | 9,380 | 11,879 |

| NAME | BUSINESS | % OWNED | CONSOLIDATED CARRYING VALUES | |
|--------------------------------------|--------------------------|---------|---------------------------------|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| Albury Regent Cinemas | Cinema operator | 50.00% | 567 | 216 |
| Sea World Aviation | Helicopter ride operator | 50.00% | 686 | 1,051 |
| Tasmanian Cinemas | Cinema operator | 50.00% | 2,519 | 2,500 |
| Warner Village Cinema Management | Non-operating | 50.00% | 1,683 | 1,578 |
| Warner Village Exhibition Management | Non-operating | 50.00% | 4,051 | 3,293 |
| Warner Village Theme Parks | Theme park operator | 50.00% | (126) | 3,241 |
| | | | 9,380 | 11,879 |

(v) Share of net assets of joint venture entities/partnership interests

The economic entity's share of net assets of partnership interests in aggregate is:

| | CONSOLIDATED | |
|-------------------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Current assets | 12,331 | 17,533 |
| Non-current assets | 10,402 | 43,734 |
| Current liabilities | (11,349) | (14,705) |
| Non-current liabilities | (1,908) | (34,551) |
| Net assets | 9,476 | 12,011 |

(vi) Events Subsequent to Reporting Date:

No event has occurred after reporting date in relation to any joint venture entity/partnership which could materially affect their financial position or operating performance.

(vii) The annual balance date of joint venture entities/partnership interests is 30 June except for the following:

| | |
|--------------------------------------|-------------|
| Sea World Aviation | 30 November |
| Warner Village Cinema Management | 30 November |
| Warner Village Exhibition Management | 30 November |
| Warner Village Investments Limited | 30 November |
| Warner Village Theme Parks | 30 November |

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|------------------------------------|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (13) Other financial assets | | | | |
| <i>Non-current:</i> | | | | |
| Investments at cost comprise: | | | | |
| Shares – Unlisted | 7,601 | 7,643 | 24 | 24 |
| – Controlled Entities | - | - | 737,696 | 718,132 |
| | 7,601 | 7,643 | 737,720 | 718,156 |

(a) Investments in controlled entities:

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|--|-----------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| 2 Day FM Australia Pty. Limited | Australia | 100.00% | - | - |
| AEO Co Pty. Limited | Australia | 59.91% | - | - |
| Allehondro Pty. Limited | Australia | 100.00% | - | - |
| Animus No. 2 Pty. Limited | Australia | 100.00% | - | - |
| Ants at Work AE | Greece | 100.00% | - | - |
| Aqua Del Rey International Pty. Limited | Australia | 100.00% | 1 | 1 |
| Aras Park Pty. Limited | Australia | 100.00% | - | - |
| Austereo Broadcast Data Pty. Limited | Australia | 59.91% | - | - |
| Austereo Capital FM Pty. Limited | Australia | 59.91% | - | - |
| Austereo Direct Marketing Pty. Limited | Australia | 59.91% | - | - |
| Austereo Entertainment Pty. Limited | Australia | 59.91% | - | - |
| Austereo ESP Finance Pty. Limited | Australia | 59.91% | - | - |
| Austereo Group Limited (Listed) | Australia | 59.91% | 465,390 | 445,156 |
| Austereo International Pty. Limited | Australia | 59.91% | - | - |
| Austereo Investments Pty. Limited | Australia | 59.91% | - | - |
| A-Live Worldwide Pty. Limited | Australia | 59.91% | - | - |
| Austereo Mall Advertising Pty. Limited | Australia | 59.91% | - | - |
| Austereo Narrowcast Pty. Limited | Australia | 59.91% | - | - |
| Austereo Pty. Limited | Australia | 59.91% | - | - |
| Austereo Television Productions Pty. Limited | Australia | 59.91% | - | - |
| B105 FM Pty. Limited | Australia | 100.00% | - | - |
| Baltimore House Pty. Limited | Australia | 100.00% | - | - |
| Belfast Odyssey Cinemas Limited | United Kingdom | 100.00% | - | - |
| Blackstone Pty. Limited | Australia | - | - | - |
| Blouseman Productions Inc. | United States | 100.00% | - | - |
| Broadcast FM Pty. Limited | Australia | 59.91% | - | - |
| C0015744X Pty. Limited | Australia | - | - | - |
| | | c/fwd | 465,391 | 445,157 |

(13) Other financial assets *continued*

(a) Investments in controlled entities *continued*:

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|--|------------------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 465,391 | 445,157 |
| Cinema Investments Italia SPA | Italy | 100.00% | - | - |
| Cinemax SA | Greece | 100.00% | - | - |
| Colorado Bay Pty. Limited | Australia | 100.00% | - | - |
| Consolidated Broadcasting System (WA) Pty. Limited | Australia | 59.91% | - | - |
| Daydream Finance Holdings Pty. Limited | Australia | 100.00% | - | - |
| Daydream Finance Pty. Limited | Australia | 100.00% | - | - |
| Daydream Investments Holdings Pty. Limited | Australia | 100.00% | - | - |
| Daydream Operations Holdings Pty. Limited | Australia | 100.00% | - | - |
| DEG Holdings Pty. Limited | Australia | 100.00% | 70 | 70 |
| DIIR Pty. Limited | Australia | 100.00% | - | - |
| Emperion Pty. Limited | Australia | 100.00% | - | - |
| Entertainment and Leisure Operations Inc. | British Virgin Islands | - | - | - |
| Entertainment of The Future Pty. Limited | Australia | 100.00% | - | - |
| Entertainment Research Pty. Limited | Australia | 59.91% | - | - |
| Euramo Pty. Limited | Australia | - | - | - |
| Feature Productions Pty. Limited | Australia | 100.00% | - | - |
| Film Services (Australia) Pty. Limited | Australia | 100.00% | - | - |
| FM 104 Pty. Limited | Australia | 100.00% | - | - |
| FM Broadcasting Pty. Limited | Australia | 100.00% | - | - |
| FM Media (ACT) Pty. Limited | Australia | 100.00% | - | - |
| FM Media Finance Pty. Limited | Australia | 100.00% | - | - |
| FM Media Finance Trust | Australia | - | - | - |
| FM Media Overseas Pty. Limited | Australia | 100.00% | - | - |
| FM Operations Pty. Limited | Australia | 100.00% | - | - |
| Fortress Films Pty. Limited | Australia | 100.00% | - | - |
| Fortress Films II Pty. Limited | Australia | 100.00% | - | - |
| Fortress Production Services Pty. Limited | Australia | 100.00% | - | - |
| Fox FM Pty. Limited | Australia | 100.00% | - | - |
| Grand Prix FM Pty. Limited | Australia | 100.00% | - | - |
| Hale Equipment Leasing Limited | Cyprus | 100.00% | - | - |
| Hotel No.2 Trust | Australia | - | - | - |
| Hotel No.3 Trust | Australia | - | - | - |
| Intencity Operations Inc. | Labuan | - | - | - |
| Intencity Pty. Limited | Australia | 100.00% | - | - |
| | | c/fwd | 465,461 | 445,227 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(13) Other financial assets *continued*

(a) Investments in controlled entities *continued:*

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|--|------------------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 465,461 | 445,227 |
| International Equipment Supplying Limited | Hungary | 100.00% | - | - |
| International Theatre Equipment Leasing Pty. Limited | Australia | 100.00% | - | - |
| Intertasman Entertainments Limited | New Zealand | 100.00% | - | - |
| Jantar PLC SA | British Virgin Islands | 100.00% | - | - |
| Jaran Bay Pty. Limited | Australia | 100.00% | - | - |
| Jimbolla Pty. Limited | Australia | 100.00% | - | - |
| Kaiser Finance and Investments Limited | Cayman Islands | - | - | - |
| Leisure Industries Inc. | British Virgin Islands | - | - | 6 |
| Madison Hall Pty. Limited | Australia | 100.00% | - | - |
| Maiden NZ Productions Limited | New Zealand | 99.00% | - | - |
| Marketing Austereo Village Integrated Solutions Pty. Limited | Australia | 59.91% | - | - |
| Medborne Proprietary Limited | Australia | 100.00% | - | - |
| Melbourne FM Radio Pty. Limited | Australia | 100.00% | - | - |
| Meskan House Pty. Limited | Australia | 100.00% | - | - |
| Mount Gambier Broadcasters Pty. Limited | Australia | 100.00% | - | - |
| Multiplex Cinemas Magdeburg GmbH | Germany | 100.00% | - | - |
| Multiplex Cinemas Munchen GmbH | Germany | 100.00% | - | - |
| Multiplex Cinemas Oberhausen GmbH | Germany | 100.00% | - | - |
| MX Promotions Pty. Limited | Australia | 100.00% | - | - |
| MX Services Pty. Limited | Australia | 100.00% | - | - |
| New Broadcasting Pty. Limited | Australia | 100.00% | - | - |
| Nu-Pay View Entertainment Pty. Limited | British Virgin Islands | 100.00% | - | - |
| NW Productions Inc. | United States | 100.00% | - | - |
| Pacific Drive Productions Pty. Limited | Australia | 100.00% | - | - |
| Paradise Beach Productions Pty. Limited | Australia | 100.00% | - | - |
| Paradise Road Films Pty. Limited | Australia | 100.00% | - | - |
| Perth FM Radio Pty. Limited | Australia | 59.91% | - | - |
| Pietman Pty. Limited | Australia | 100.00% | - | - |
| PLB Entertainment Inc. | United States | 100.00% | - | - |
| Radio & Research Pty. Limited | Australia | 59.91% | - | - |
| Reidhaven Holdings Pty. Limited | Australia | 100.00% | - | - |
| Roadshow, Coote & Carroll Pty. Limited | Australia | 100.00% | 684 | 684 |
| Sinced Investments Pty. Limited | Australia | 100.00% | - | - |
| TAJ Walker Pty. Limited | British Virgin Islands | 100.00% | - | - |
| | | c/fwd | 466,145 | 445,917 |

(13) Other financial assets *continued*

(a) Investments in controlled entities *continued*:

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|---|-----------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 466,145 | 445,917 |
| Tarzan Films Pty. Limited | Australia | 100.00% | - | - |
| Tarzan Productions Pty. Limited | Australia | 100.00% | - | - |
| The Triple-M Broadcasting Company Pty. Limited | Australia | 100.00% | - | - |
| Today FM Brisbane Pty. Limited | Australia | 59.91% | - | - |
| Today FM Sydney Pty. Limited | Australia | 59.91% | - | - |
| Today Radio Network Pty. Limited | Australia | 59.91% | - | - |
| Triple M Adelaide Pty. Limited | Australia | 59.91% | - | - |
| Triple M Brisbane Pty. Limited | Australia | 59.91% | - | - |
| Triple M Melbourne Pty. Limited | Australia | 59.91% | - | - |
| Triple M Network Pty. Limited | Australia | 59.91% | - | - |
| Triple M Sydney Pty. Limited | Australia | 59.91% | - | - |
| Triple M Radio Holdings Pty. Limited | Australia | 100.00% | - | - |
| VEESS Pty. Limited | Australia | 100.00% | - | - |
| Village 88 FM SA | Greece | 59.91% | - | - |
| Village Cinemas Australia Pty. Limited | Australia | 100.00% | 33,062 | 33,062 |
| Village Cinemas Czech Republic SRO | Czech Republic | 100.00% | - | - |
| Village Cinemas GmbH | Austria | 100.00% | - | - |
| Village Cinemas International Pty. Limited | Australia | 100.00% | 225,000 | 225,000 |
| Village Cinemas (NZ) Pty. Limited | Australia | 100.00% | - | - |
| Village Equipment Distribution Australia Pty. Limited | Australia | - | - | - |
| Village Leisure Company Pty. Limited | Australia | 100.00% | - | - |
| Village Online Investments Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow (D & B) Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow (Fiji) Limited | Fiji | 100.00% | - | - |
| Village Roadshow (Hong Kong) Limited | Hong Kong | 100.00% | - | - |
| Village Roadshow (Hungary) Distribution KFT | Hungary | 100.00% | - | - |
| Village Roadshow (Singapore) Pte. Limited | Singapore | 100.00% | - | - |
| Village Roadshow (Thailand) Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Australian Films Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Car Park Management Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Cinemas UK Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Coburg Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Custodians Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Developments Pty. Limited | Australia | 100.00% | - | - |
| | | c/fwd | 724,207 | 703,979 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(13) Other financial assets *continued*

(a) Investments in controlled entities *continued:*

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|---|------------------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 724,207 | 703,979 |
| Village Roadshow Distribution (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow Distribution (M) Sdn Bhd | Malaysia | 100.00% | - | - |
| Village Roadshow Distribution Netherlands BV | Netherlands | 100.00% | - | - |
| Village Roadshow Distribution Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Distribution UK Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Distribution USA Inc. | United States | 100.00% | - | - |
| Village Roadshow Distributors SA (previously Warner Roadshow Film Distributors Greece SA) | Greece | 100.00% | - | - |
| Village Roadshow Dynasty Productions Pty. Limited | Australia | 99.00% | - | - |
| Village Roadshow Equipment Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Exhibition Beteiligungs GmbH | Germany | 100.00% | - | - |
| Village Roadshow Exhibition (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow Exhibition GmbH & Co. KG Partnership | Germany | 100.00% | - | - |
| Village Roadshow Exhibition GmbH Kinobetriebe | Germany | - | - | - |
| Village Roadshow Exhibition Properties Limited | Guernsey | 100.00% | - | - |
| Village Roadshow Exhibition Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Exhibition UK Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Film Administration Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Film Distributor Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Film Distributors Greece EPE | Greece | 100.00% | - | - |
| Village Roadshow Film Finance Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Film Operator Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Film Services Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Film Treasury Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Films BVI Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow Films (UK) Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Finance Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Finance & Investments Pty. Limited | Australia | 100.00% | 12,499 | 12,499 |
| Village Roadshow FM Pty. Limited | Australia | 100.00% | 987 | 987 |
| Village Roadshow Germany GmbH | Germany | 100.00% | - | - |
| Village Roadshow GJ Productions Pty. Limited | Australia | 99.00% | - | - |
| Village Roadshow GmbH | Austria | - | - | - |
| Village Roadshow Greece SA | Greece | 100.00% | - | - |
| Village Roadshow Grundstücksentwicklungs GmbH | Germany | 100.00% | - | - |
| | | c/fwd | 737,693 | 717,465 |

(13) Other financial assets *continued*

(a) Investments in controlled entities *continued*:

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|--|------------------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 737,693 | 717,465 |
| Village Roadshow Holdings Britain Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Holdings Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Holdings USA Inc. | United States | 100.00% | - | - |
| Village Roadshow Hungary RT | Hungary | 100.00% | - | - |
| Village Roadshow Intencity Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow International BV | Netherlands | 100.00% | - | - |
| Village Roadshow Investments UK Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Investments Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Italy Holdings SRL | Italy | 100.00% | - | - |
| Village Roadshow J2 Productions Pty Limited | Australia | 99.00% | - | - |
| Village Roadshow Jam Factory Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow KP Productions Limited | New Zealand | 100.00% | - | - |
| Village Roadshow Leisure Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Licensing & Finance Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Lily Productions Pty. Limited | Australia | 99.00% | - | - |
| Village Roadshow Luxembourg SA | Luxembourg | 100.00% | - | - |
| Village Roadshow Manakau Cinemas Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Mauritius Limited | Mauritius | 100.00% | - | - |
| Village Roadshow Motion Pictures (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow Motion Pictures Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow New Distribution USA Inc. | United States | 100.00% | - | - |
| Village Roadshow New Productions (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow NW Productions Pty. Limited | Australia | 99.00% | - | - |
| Village Roadshow Operations (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow Operations Greece SA | Greece | 100.00% | - | - |
| Village Roadshow Pictures (Australia) Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Pictures (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow Pictures (U.S.A.) Inc. | United States | 100.00% | - | 663 |
| Village Roadshow Pictures Entertainment Inc. | United States | 100.00% | - | - |
| Village Roadshow Pictures International Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Pictures Television Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Pictures Worldwide Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow PP Productions Pty. Limited | Australia | 99.00% | - | - |
| Village Roadshow Production Services Pty. Limited | Australia | 99.00% | - | 1 |
| | | c/fwd | 737,693 | 718,129 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(13) Other financial assets *continued*

(a) Investments in controlled entities *continued:*

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|---|------------------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 737,693 | 718,129 |
| Village Roadshow Productions (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| Village Roadshow Productions Hellas SA | Greece | 100.00% | - | - |
| Village Roadshow Productions Inc. | United States | 100.00% | - | - |
| Village Roadshow Production Management Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Project Management Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Properties (Malaysia) Sdn Bhd | Malaysia | 100.00% | - | - |
| Village Roadshow Properties Limited | Guernsey | 100.00% | - | - |
| Village Roadshow Property Development Pty. Limited | Australia | 100.00% | 1 | 1 |
| Village Roadshow Property Finance Pty. Limited | Australia | 100.00% | 2 | 2 |
| Village Roadshow Resorts Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Retail Stores Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow SW Productions Pty. Limited | Australia | 99.00% | - | - |
| Village Roadshow Theatres Europe Limited | United Kingdom | 100.00% | - | - |
| Village Roadshow Theatres Guernsey Limited | Guernsey | 100.00% | - | - |
| Village Roadshow Theatres Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Ticketing Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Treasury Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow UK Holdings Pty. Limited | Australia | 100.00% | - | - |
| Village Roadshow Warehousing Services Pty. Limited | Australia | 100.00% | - | - |
| Village Sea World Aviation Pty. Limited | Australia | 100.00% | - | - |
| Village Sea World Investments Pty. Limited | Australia | 100.00% | - | - |
| Village Sea World Operations Pty. Limited | Australia | 100.00% | - | - |
| Village Theatres 3 Limited | United Kingdom | 100.00% | - | - |
| Village Theatres (Brisbane) Pty. Limited | Australia | 100.00% | - | - |
| Village Theatres (Paddington) Pty. Limited | Australia | 100.00% | - | - |
| Village Theatres Morwell Pty. Limited | Australia | 75.00% | - | - |
| Village Theatres UK 3 Limited | United Kingdom | 100.00% | - | - |
| Village Themepark Management Pty. Limited | Australia | 100.00% | - | - |
| Village Twin Cinemas (Morwell) Pty. Limited | Australia | 100.00% | - | - |
| VR (Matrix) Films Pty. Limited | Australia | 100.00% | - | - |
| VR Animation Pty. Limited | Australia | 100.00% | - | - |
| VR (Asia) Pty. Limited | Australia | - | - | - |
| VRB Pty. Limited | Australia | 59.91% | - | - |
| VR DSAW Productions Limited | British Virgin Islands | 100.00% | - | - |
| | | c/fwd | 737,696 | 718,132 |



(13) Other financial assets *continued*

(a) Investments in controlled entities *continued*:

| NAME | INCORPORATED IN | % OWNED | VILLAGE ROADSHOW LIMITED CARRYING VALUES | |
|--|------------------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| | | b/fwd | 737,696 | 718,132 |
| VR DTE Distribution USA Inc | United States | 100.00% | - | - |
| VR DTE Productions Limited | British Virgin Islands | 100.00% | - | - |
| VR International Pictures Pty. Limited | Australia | 100.00% | - | - |
| VREW Distribution USA Inc | United States | 100.00% | - | - |
| VREW Productions (BVI) Limited | British Virgin Islands | 100.00% | - | - |
| VRFP Pty. Limited | Australia | 100.00% | - | - |
| VRL Aluminium Pty. Limited | Australia | 100.00% | - | - |
| VRP Film Entertainment Inc. | United States | 100.00% | - | - |
| VRP International Distribution Pty. Limited | Australia | 100.00% | - | - |
| VRPPL Pty. Limited | Australia | 100.00% | - | - |
| VRP Production Services Pty. Limited | Australia | 100.00% | - | - |
| VRP Treasury BVI Ltd | British Virgin Islands | 100.00% | - | - |
| VRPTV Financing Inc. | United States | 100.00% | - | - |
| VRS Holdings Pty. Limited | Australia | 100.00% | - | - |
| VR Zoo Distribution USA Inc | United States | 100.00% | - | - |
| VR Zoo Productions Limited | British Virgin Islands | 100.00% | - | - |
| Warner Bros. Studio Store Australia Pty. Limited | Australia | 64.00% | - | - |
| Worldwide Films Pty. Limited | Australia | 100.00% | - | - |
| | | | 737,696 | 718,132 |

Foreign controlled entities carry out their business activities in the country of incorporation. Material overseas entities are audited by Ernst & Young International affiliates.

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (14) Property, plant & equipment | | | | |
| <i>Land:</i> | | | | |
| At cost | 21,133 | 21,490 | - | - |
| <i>Buildings & improvements:</i> | | | | |
| At cost (completed) | 43,021 | 51,896 | - | - |
| Less depreciation | (12,233) | (12,729) | - | - |
| | 30,788 | 39,167 | - | - |
| <i>Capital work in progress</i> | 13,807 | 6,017 | 2,483 | 2,757 |
| <i>Leasehold improvements:</i> | | | | |
| At cost | 148,219 | 135,413 | 1,139 | 1,131 |
| Less amortisation | (66,607) | (54,590) | (75) | (47) |
| | 81,612 | 80,823 | 1,064 | 1,084 |
| <i>Equipment & vehicles (owned):</i> | | | | |
| At cost | 262,938 | 274,992 | 8,903 | 10,552 |
| Less depreciation | (168,918) | (154,815) | (4,606) | (6,786) |
| | 94,020 | 120,177 | 4,297 | 3,766 |
| <i>Equipment & vehicles (leased):</i> | | | | |
| At cost | 22,280 | 21,545 | 4,417 | 4,098 |
| Less amortisation | (12,093) | (8,461) | (1,759) | (488) |
| | 10,187 | 13,084 | 2,658 | 3,610 |
| | 251,547 | 280,758 | 10,502 | 11,217 |

(a) Valuations

Effective 1 July 2000, the consolidated entity elected to use the original cost basis for measurement of each class of non-current assets.

As at 30 June 2004, the Directors valued interests in land and buildings, based on a market appraisal by qualified valuers, at \$119.7 million (economic entity). These interests are recorded in the accounts (after aggregate depreciation) as follows:

| | \$'000 |
|----------------------------|--------|
| Freehold land | 21,133 |
| Buildings and improvements | 30,517 |
| | 51,650 |

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (14) Property, plant & equipment <i>continued</i> | | | | |
| (b) Reconciliations | | | | |
| <i>Land:</i> | | | | |
| Carrying amount at beginning | 21,490 | 24,505 | - | - |
| Additions/transfers | - | 395 | - | - |
| Net foreign currency movements arising from self-sustaining foreign operations | 93 | (35) | - | - |
| Disposals | (450) | (3,375) | - | - |
| Carrying amount at end | 21,133 | 21,490 | - | - |
| <i>Buildings & improvements:</i> | | | | |
| Carrying amount at beginning | 39,167 | 36,934 | - | - |
| Additions/transfers | 351 | 12,461 | - | - |
| Net foreign currency movements arising from self-sustaining foreign operations | 335 | (4,785) | - | - |
| Disposals/Transfers | (7,779) | (1,116) | - | - |
| Depreciation expense | (1,286) | (4,327) | - | - |
| Carrying amount at end | 30,788 | 39,167 | - | - |
| <i>Capital work in progress:</i> | | | | |
| Carrying amount at beginning | 6,017 | 43,706 | 2,757 | 1,817 |
| Additions/transfers | 12,698 | 6,809 | - | 940 |
| Net foreign currency movements arising from self-sustaining foreign operations | 37 | (2,371) | - | - |
| Disposals/Transfers | (4,945) | (42,127) | (274) | - |
| Carrying amount at end | 13,807 | 6,017 | 2,483 | 2,757 |
| <i>Leasehold improvements:</i> | | | | |
| Carrying amount at beginning | 80,823 | 148,124 | 1,084 | 447 |
| Additions/Transfers | 7,073 | 11,153 | 8 | 656 |
| Additions due to increase in investment in joint venture operations | - | 9,751 | - | - |
| Net foreign currency movements arising from self-sustaining foreign operations | 655 | (10,334) | - | - |
| Asset writedowns | - | (25,031) | - | - |
| Disposals/Transfers | 855 | (46,514) | - | - |
| Amortisation expense | (7,794) | (6,326) | (28) | (19) |
| Carrying amount at end | 81,612 | 80,823 | 1,064 | 1,084 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (14) Property, plant & equipment <i>continued</i> | | | | |
| (b) Reconciliations <i>continued</i> | | | | |
| <i>Equipment & vehicles (owned):</i> | | | | |
| Carrying amount at beginning | 120,177 | 183,355 | 3,766 | 6,306 |
| Additions/Transfers | 13,581 | 60,873 | 1,676 | 2,781 |
| Additions due to increase in investment in joint venture operations | - | 9,128 | - | - |
| Net foreign currency movements arising from self-sustaining foreign operations | 1,123 | (4,924) | - | - |
| Asset writedowns | - | (11,704) | - | - |
| Disposals/Transfers | (14,000) | (80,392) | (141) | (3,908) |
| Depreciation expense | (26,861) | (36,159) | (1,004) | (1,413) |
| Carrying amount at end | 94,020 | 120,177 | 4,297 | 3,766 |
| <i>Equipment & vehicles (leased):</i> | | | | |
| Carrying amount at beginning | 13,084 | 12,167 | 3,610 | 352 |
| Additions | 645 | 6,671 | 349 | 3,891 |
| Net foreign currency movements arising from self-sustaining foreign operations | 49 | (1,455) | - | - |
| Disposals/Transfers | (65) | (1,607) | (28) | (142) |
| Amortisation expense | (3,526) | (2,692) | (1,273) | (491) |
| Carrying amount at end | 10,187 | 13,084 | 2,658 | 3,610 |

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|----------------------------|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (15) Intangibles | | | | |
| Goodwill purchased | 78,922 | 77,174 | - | - |
| Less amortisation | (13,805) | (9,714) | - | - |
| | 65,117 | 67,460 | - | - |
| Goodwill on consolidation | 18,905 | 18,748 | - | - |
| Less amortisation | (11,853) | (10,911) | - | - |
| | 7,052 | 7,837 | - | - |
| Other intangibles | 2,075 | 2,474 | - | - |
| Less amortisation | (139) | (470) | - | - |
| | 1,936 | 2,004 | - | - |
| | 74,105 | 77,301 | - | - |
| (16) Payables | | | | |
| <i>Current:</i> | | | | |
| Trade and sundry creditors | 229,430 | 300,370 | 1,894 | 2,521 |
| Owing to - | | | | |
| Associated entities | 1,435 | 5,703 | - | - |
| Other | 644 | 1,909 | - | - |
| | 231,509 | 307,982 | 1,894 | 2,521 |
| <i>Non-current:</i> | | | | |
| Owing to - | | | | |
| Associated entities | 27,513 | 27,127 | - | - |
| Other | 26,237 | 35,353 | 123 | - |
| | 53,750 | 62,480 | 123 | - |

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (17) Interest bearing liabilities | | | | |
| <i>Current:</i> | | | | |
| Secured borrowings | 264,232 | 479,863 | - | - |
| Unsecured borrowings | - | 31,423 | - | - |
| Finance lease liabilities | 4,755 | 3,500 | 1,463 | 1,297 |
| | 268,987 | 514,786 | 1,463 | 1,297 |
| <i>Non-current:</i> | | | | |
| Secured borrowings | 757,905 | 716,451 | - | - |
| Finance lease liabilities | 7,311 | 11,143 | 2,733 | 3,812 |
| | 765,216 | 727,594 | 2,733 | 3,812 |
| Convertible notes | 13,461 | 25,598 | 13,461 | 25,598 |

Terms and conditions relating to the above financial instruments:

The chief entity has a \$100,000,000 (2003: \$100,000,000) long term finance facility. These borrowings are secured by a specific share mortgage against the chief entity's shareholding in Austereo Group Limited and by guarantees from various wholly-owned subsidiaries.

Other secured borrowings are separately secured by a fixed and floating charge over assets in the Warner Bros. Movie World Joint Venture, the investment in the Sea World Property Trust and the Austereo Group Limited economic entity. The security for these borrowings is limited to the assets and undertakings of each particular operation. The lease liability is secured by a charge over the leased assets.

Village Roadshow Pictures International Pty Ltd has a US\$25,000,000 long term finance facility. These borrowings are secured by a floating charge over the chief entity assets, subordinated to ANZ.

Refer note 23(a)(ix) for details of the security relating to the Film Production financing facility.

Refer note 32 (a)(ii) for additional information concerning finance lease terms and conditions.

On 30 April 1998 the Company issued 2,400,000 convertible debt securities of US\$50.00 each which have been disclosed partly as liabilities and partly as equity. These Perpetual Redeemable Income Debt Exchangeable for StockSM ("PRIDESSM") are unsecured, subordinated perpetual debt securities, convertible at the option of the holders into A Class Preference shares within 10 years of issue or, at the option of the Company, may be paid out in cash at the then prevailing closing price of the A Class Preference shares. At any time after 30 April 2008 the PRIDES may be redeemed, in whole or in part, at the option of the Company upon payment of the principal and accrued unpaid interest. Subject to certain adjustments, the A Class Preference shares will be issuable at \$3.60 per share.

At the commencement of the year, 580,950 PRIDES remained issued by the Company. During the year ended 30 June 2004, 167,650 PRIDES were redeemed for cash. 413,300 PRIDES remained issued at the end of the year. The Company realised a profit of \$4.5 million on the cash redemptions (2003: \$0.5 million).

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (18) Provisions | | | | |
| <i>Current:</i> | | | | |
| Employee benefits | 12,650 | 14,505 | 2,523 | 2,928 |
| Other | 6,344 | 8,901 | - | 28 |
| | 18,994 | 23,406 | 2,523 | 2,956 |
| <i>Non-current:</i> | | | | |
| Employee benefits | 6,401 | 5,021 | 2,533 | 1,865 |
| Other | 11,487 | 10,414 | - | - |
| | 17,888 | 15,435 | 2,533 | 1,865 |
| Employee benefit liabilities | | | | |
| Provision for employee benefits | | | | |
| Current | 12,650 | 14,505 | 2,523 | 2,928 |
| Non-current | 6,401 | 5,021 | 2,533 | 1,865 |
| Aggregate employee benefit liability | 19,051 | 19,526 | 5,056 | 4,793 |
| (a) Reconciliations | | | | |
| <i>Other provisions:</i> | | | | |
| Carrying amount at the beginning of the financial year | 19,315 | 10,369 | 28 | - |
| Additional provision | 2,952 | 12,300 | - | - |
| Amounts utilised during the year | (4,436) | (3,354) | (28) | - |
| Carrying amount at the end of the financial year | 17,831 | 19,315 | - | - |
| (19) Other liabilities | | | | |
| <i>Current:</i> | | | | |
| Unearned revenue | 2,024 | 3,599 | - | - |
| Other liabilities | 489 | 2,831 | - | - |
| | 2,513 | 6,430 | - | - |
| <i>Non-current:</i> | | | | |
| Unearned revenue | 1,501 | 1,082 | - | - |
| Other liabilities | 1,037 | 6,535 | 800 | 1,019 |
| | 2,538 | 7,617 | 800 | 1,019 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|----------------------------------|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (20) Contributed equity | | | | |
| Issued & fully paid up capital: | | | | |
| Ordinary shares | 121,058 | 121,931 | 121,058 | 121,931 |
| A Class Preference shares | 39,768 | 208,765 | 39,768 | 208,765 |
| Other – ex-share premium account | 594,525 | 594,525 | 594,525 | 594,525 |
| | 755,351 | 925,221 | 755,351 | 925,221 |
| Convertible notes | 14,866 | 14,866 | 14,866 | 14,866 |

Dividend rates on A Class Preference shares:

If a dividend is recommended by directors, non-redeemable non-cumulative A Class Preference shares are entitled to a minimum of 10.175 cents per share or 3 cents above the Ordinary dividend, whichever is higher. Preference share dividends have priority over Ordinary dividends.

During the 2004 and 2003 years, movements in fully paid shares on issue were as follows:

| | CONSIDERATION | | NO. OF SHARES | |
|--|----------------|----------------|---------------|--------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 '000 | 2003 '000 |
| (a) Ordinary shares – | | | | |
| Beginning of the financial year | 121,931 | 124,147 | 234,903 | 235,703 |
| Share buybacks – | | | | |
| June 2004 at \$1.80 | (873) | - | (484) | - |
| November 2002 at \$2.63 to \$4.12 | - | (2,170) | - | (783) |
| September 2002 at \$2.63 | - | (46) | - | (17) |
| End of the financial year | 121,058 | 121,931 | 234,419 | 234,903 |
| (b) A Class Preference shares – | | | | |
| Beginning of the financial year | 208,765 | 213,332 | 250,215 | 251,990 |
| Share buybacks – | | | | |
| May 2004 at \$1.28 to \$1.30 | (64,497) | - | (50,000) | - |
| March 2004 at \$1.12 to \$1.16 | (104,500) | - | (90,086) | - |
| June 2003 at \$1.58 to \$3.22 | - | (1,828) | - | (825) |
| November 2002 at \$1.85 to \$3.19 | - | (215) | - | (97) |
| September 2002 at \$1.52 to \$3.23 | - | (2,524) | - | (853) |
| End of the financial year | 39,768 | 208,765 | 110,129 | 250,215 |

Share buyback:

During the year, the company bought back on market and cancelled 140,086,114 A Class Preference Shares at prices ranging from \$1.12 to \$1.30, and 484,203 Ordinary shares at \$1.80.

Issued Options:

In accordance with a special resolution of the Company's shareholders on 15 May 2001, 6 million options over Ordinary shares were allotted to Mr. Graham W. Burke, the Managing Director. 2 million options are exercisable at an exercise price of \$3.00 not earlier than 15 May 2004; 2 million options are exercisable at an exercise price of \$4.00 not earlier than 15 May 2005; and 2 million options are exercisable at an exercise price of \$5.00 not earlier than 15 May 2006. All the options are exercisable no later than 30 November 2007 or 2 years following cessation of Mr. Burke's employment with the Company, whichever is the earlier. The names of all persons who currently hold options are entered in the register kept by the Company, which may be inspected free of charge.

(20) Contributed equity *continued*

As at 30 June 2004, the details of outstanding options over Ordinary shares were as follows:

| NUMBER OF OPTIONS | EXPIRY DATE | EXERCISE PRICE PER OPTION | |
|-------------------|------------------|---------------------------|------|
| | | 2004 | 2003 |
| 2,000,000 | 30 November 2007 | \$3.00 | |
| 2,000,000 | 30 November 2007 | \$4.00 | |
| 2,000,000 | 30 November 2007 | \$5.00 | |

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |

(21) Reserves and retained profits

Foreign currency translation reserve:

The foreign currency translation reserve is used to record exchange differences arising from the translation of self-sustaining foreign operations and on equity accounting of associates.

| | | | | |
|--|----------|----------|-------|-------|
| Balance at beginning of year | (88,194) | (14,917) | 3,844 | 1,510 |
| Amount relating to translation of accounts & net investments | (14,241) | (66,340) | 859 | 2,334 |
| Transfer to Retained profits | 42,778 | (860) | - | - |
| Post acquisition share of associates | 589 | (6,077) | - | - |
| Balance at end of year | (59,068) | (88,194) | 4,703 | 3,844 |

Capital profits reserve:

The capital profits reserve is used to accumulate realised capital profits arising from the equity accounting of associates.

| | | | | |
|--------------------------------------|----------|----------|-------|-------|
| Balance at beginning of year | 61 | 3 | - | - |
| Post acquisition share of associates | 20 | 58 | - | - |
| Balance at end of year | 81 | 61 | - | - |
| Total reserves | (58,987) | (88,133) | 4,703 | 3,844 |

Retained profits:

| | | | | |
|--|----------|----------|---------|---------|
| Balance at the beginning of year | 105,353 | 126,952 | 976,028 | 946,665 |
| Net profit (loss) attributable to members of Village Roadshow Limited | 52,217 | (26,016) | 21,235 | 29,271 |
| Other revenue, expense and initial adjustments recognised directly in equity | 555 | 3,557 | - | - |
| Transfer from Foreign Currency Translation Reserve | (42,778) | 860 | - | - |
| Total available for appropriation | 115,347 | 105,353 | 997,263 | 975,936 |
| Dividends provided or paid | - | - | - | (92) |
| Balance at end of year | 115,347 | 105,353 | 997,263 | 976,028 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (22) Outside equity interests | | | | |
| Outside equity interests in controlled entities: | | | | |
| Issued & paid up capital | 100,252 | 103,219 | - | - |
| Reserves | (34) | 146 | - | - |
| Profit & loss appropriation | 21,923 | 17,321 | - | - |
| | 122,141 | 120,686 | - | - |
| (23) Contingent liabilities and assets | | | | |
| (a) Contingent liabilities | | | | |
| <i>Estimated maximum amounts relating to:</i> | | | | |
| (i) Termination benefits under personal services agreements for 236 (consolidated) group executives and consultants (2003: 208 (consolidated) group executives and consultants) | 42,764 | 41,651 | 6,366 | 7,730 |
| (ii) Bank guarantees for financial obligations | | | | |
| (a) Guarantees for unsecured credit facilities of controlled entities | - | - | 307 | 307 |
| (b) Guarantees for financial undertaking of controlled entity | - | 150 | - | - |
| (iii) Corporate guarantees for financial obligations | | | | |
| (a) Guarantees for secured credit facilities of associated entities | 48,924 | 52,179 | 48,924 | 51,679 |
| (b) Guarantees for unsecured credit facilities of associated entities | - | 3,144 | - | 3,144 |
| (iv) Bank guarantees for operating lease commitments | | | | |
| (a) Guarantees for controlled entities | 14,795 | 18,430 | 14,317 | 17,791 |
| (b) Guarantees for associated entities | 25 | 25 | - | - |
| (c) Guarantees for joint ventures | 243 | 272 | - | - |
| (v) Several corporate guarantees for operating lease commitments | | | | |
| (a) Guarantees for controlled entities | - | - | 258,326 | 323,657 |
| (b) Guarantees for associated entities | 103,548 | 113,810 | 3,085 | 3,898 |
| (c) Guarantees for joint ventures | - | - | 14,920 | 15,475 |
| (vi) Joint and several obligations for operating lease commitments of joint venture partners * | 112,296 | 127,303 | - | - |
| (vii) Other corporate guarantee commitments | | | | |
| (a) Guarantees in respect of partnership commitments | 1,458 | 1,458 | 4,125 | 4,125 |
| | 324,053 | 358,422 | 350,370 | 427,806 |

* refer Note 23(b)(i) for corresponding amount reflecting the related contingent assets.

(viii) Claims – Village Roadshow Pictures (USA) Inc.:

A formal judgement was entered into against Village Roadshow Pictures (USA) Inc (“VRP USA”), a non-core US subsidiary of Village Roadshow Limited (“VRL”), for approximately USD 32 million in January 2003. VRP USA’s appeal against the judgement to the Supreme Court of California was rejected by that Court. The full amount of the judgement against VRP USA, plus interest to 30 June 2004, is USD 36.3 million. VRL believes the judgement will not materially affect VRL’s financial position. In June 2003, the plaintiffs filed a motion seeking to force VRL to arbitrate the same claim as they made against VRP USA. VRL has opposed this motion. In August 2004, the plaintiffs indicated that they would seek to add VRL as a judgement debtor to the VRP USA judgement. VRL will oppose this motion.

New legal proceedings were commenced in 2003 by the plaintiffs against VRL and a number of other companies in the VRL group. The VRL companies deny liability in those proceedings and are defending them. A trial date has been set for these proceedings for January 2005.

(23) Contingent liabilities and assets *continued*

(a) Contingent liabilities *continued*

(ix) Other contingent liabilities – Film Production:

The revolving USD 900 million film financing facility of Village Roadshow Films (BVI) Limited (“VRF BVI”) is secured against its film library and the proceeds from exploitation. The Village Roadshow Limited (“VRL”) and Village Roadshow Limited group (“VRL group”) exposure is limited to USD 100 million equity contributed to VRF BVI as support for the film financing facility (by way of subordinated loan) and USD 70 million security deposit provided to VRF BVI.

In addition, VRL (and the VRL group) are liable to repay any cash film exploitation profits received by the VRL group, except for the first USD 5 million.

Based on the films released to 30 June 2004 and the continuation of business by Village Roadshow Pictures, being the group of companies comprising the production division of the VRL group, the Directors do not believe that any material permanent difference will result from this arrangement.

(x) Other contingent liabilities – Income Tax:

The Australian Taxation Office (“ATO”) advised on 31 March 2003 that it had completed a prolonged income tax audit of the economic entity which covered a five year period to June 30, 1998. The ATO advised that the audit was limited to specific issues and concluded that an adjustment was warranted to increase the 1994 taxable income of the economic entity or, alternatively, the economic entity’s 1993 taxable income. ATO alternative assessments of \$85.1 million (1994) and \$110.1 million (1993) have been received and objections have been lodged contesting the ATO adjustments. Additional General Interest Charges to 30 June 2004 have increased these alternative assessments to \$101.9 million (in relation to 1994) and \$132.0 million (in relation to 1993).

As advised to Australian Stock Exchange Ltd. on 21 July 2004, Village Roadshow Limited received oral advice that the objections to these alternative assessments were to be disallowed. If the objections are formally disallowed by the ATO, it may be necessary to make partial payment to the ATO, which amount would be negotiated at that time. Village Roadshow Ltd. also confirmed its belief that all these disputed assessments will be overturned on appeal. The ATO’s assessments and decisions will be vigorously challenged.

The taxation treatment proposed by the ATO could also have broader application. The economic entity anticipates further ATO audits may occur.

The economic entity is also currently subject to routine tax audits in certain overseas jurisdictions. The ultimate outcome of the tax audits cannot be determined with an acceptable degree of reliability at this time. Nevertheless, the economic entity believes that it is making adequate provision for its taxation liabilities in its Financial Statements (including amounts shown as deferred and other tax liabilities in the Statement of Financial Position) and is taking reasonable steps to address potentially contentious issues. If adjustments result in taxation liabilities significantly in excess of the economic entity’s provisions, there could be a significant impact on the economic entity. Finally, it is noted that the chief entity has provided an indemnity in favour of Austereo Group Limited in relation to tax losses previously transferred to subsidiaries of Austereo Group Limited.

(xi) Other contingent liabilities – Claim received from Mr. Peter Ziegler:

In September 2003, Village Roadshow Limited (“VRL”) received a Statement of Claim from the service company of a former executive, Mr. Peter Ziegler. The total Claim is for more than \$148 million plus a claim of a 7.5% ownership interest in the Village Roadshow Pictures division (“VRP”) and the right to 7.5% of the profits of VRP. The vast majority of the Claim relates to an allegation that VRL failed to pay Mr. Ziegler’s service company a termination payment. Mr. Ziegler’s service company contends that this termination payment was payable upon the expiry of its contract through effluxion of time. VRL maintains that a termination payment was only payable if VRL terminated the contract early. On the basis of legal advice, VRL strongly believes that the amount claimed by Mr. Ziegler’s service company is fanciful and that the termination payment claim will fail entirely. VRL will vigorously defend the allegations made by Mr. Ziegler’s service company. VRL does not believe that this claim will have any material effect on its financial position. A trial date has been set, commencing in March 2005.

(xii) Other contingent liabilities – Claim received from Members and former Members of KPMG:

On 23 December 2003, Village Roadshow Limited (“VRL”) and two of its subsidiaries, Medborne Pty Ltd and VR International Pictures Pty Ltd, were served with proceedings in the Supreme Court of Victoria by companies associated with members and former members of accounting firm KPMG. The proceedings are in respect of those companies’ investments in a film partnership with the two subsidiaries relating to the film, *The Matrix*. Those investments (which totalled approximately \$23 million) were highly leveraged with a significant proportion of the funds invested being provided to those investors by other VRL subsidiaries. This film partnership, “*Groucho II Film Partnership: Matrix (Production)*”, is considered by the Australian Tax Office to constitute a “mass marketed investment scheme”. The proceedings claim that Medborne Pty. Ltd. has breached the Partnership Agreement in various respects, including in relation to accounting issues and a failure to consult with the KPMG partnership representative. VRL and its subsidiaries are defending the proceedings. VRL does not believe that the proceedings will have any material effect on its financial position.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(23) Contingent liabilities and assets *continued*

(b) Contingent assets

In the event that any entity in the economic entity is required to meet a joint venture or partnership liability in excess of its proportionate share, that entity has right of recourse against the co-joint venturers or other partners in respect of that excess. Specifically, the economic entity has a contingent asset for the amount of the following joint and several operating lease commitments in the event that it is called upon to meet liabilities of the other joint venturers:

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (i) Right of recourse in relation to joint and several obligations for operating lease commitments of joint venture partners* | 112,296 | 127,303 | - | - |

* refer Note 23(a)(vi) for corresponding amount reflecting the related contingent liabilities.

(ii) Other contingent assets – Sale of UK Exhibition circuit:

As a result of the sale of the 50% owned UK Exhibition circuit in May 2003, the Village Roadshow Limited group (“VRL group”) may be entitled to further proceeds in the future, based on a formula relating to admissions of the sold circuit. The maximum amount receivable by the VRL group over time is GBP 9.9 million, however due to the uncertainty of future admissions, it is not possible to estimate what amount (if any) is likely to be received. Therefore, this amount is not considered to be a contingent asset.

(iii) Other contingent assets – Sale of shares in Val Morgan Holdings Pty. Ltd.:

Effective 27 February 2004, the economic entity disposed of its interest in the Val Morgan Holdings Pty. Ltd. group, for consideration of \$6.0 million plus working capital. Further consideration of \$7.0 million will be received on 1 June 2008 in the event that certain conditions are met. This additional consideration has been treated as a contingent asset until there is more certainty that the condition subsequent will be met.

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|-------------------------------------|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (24) Expenditure commitments | | | | |
| (a) Finance leases | | | | |
| Payable within 1 year | 4,954 | 3,837 | 1,463 | 1,297 |
| Payable between 1 and 5 years | 7,455 | 11,226 | 2,733 | 3,812 |
| Payable after 5 years | - | - | - | - |
| | 12,409 | 15,063 | 4,196 | 5,109 |
| Less future finance charges | (343) | (420) | - | - |
| Total finance lease liabilities | 12,066 | 14,643 | 4,196 | 5,109 |

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|--|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (24) Expenditure commitments <i>continued</i> | | | | |
| (b)(i) Operating leases – Minimum lease payments | | | | |
| Payable within 1 year | 88,934 | 91,674 | 579 | 457 |
| Payable between 1 and 5 years | 308,740 | 329,400 | 1,592 | 1,713 |
| Payable after 5 years | 617,796 | 684,601 | - | - |
| | 1,015,470 | 1,105,675 | 2,171 | 2,170 |
| (b)(ii) Operating leases – Percentage based lease payments | | | | |
| Payable within 1 year | 2,946 | 2,688 | - | - |
| Payable after 1 year | 33,780 | 32,944 | - | - |
| | 36,726 | 35,632 | - | - |
| Total operating lease commitments | 1,052,196 | 1,141,307 | 2,171 | 2,170 |
| Accounting standard AASB 1008: Leases applies to the estimated contingent rental commitments of the chief entity and the economic entity. This standard requires the reporting of liabilities under certain operating leases to pay Percentage Rent. Percentage rent is payable as either Incentive Rent or Revenue Share. Incentive Rent occurs when the operating lease creates a liability to pay the lessor a percentage of the Gross Receipts when a cinema site's earnings exceed the Base Rent. Gross receipts are generally made up of box office takings, concession sales and screen advertising, but may also include revenue from licence fees, arcade games and the sale of promotional material. A Revenue Share does not have a fixed Base Rent, the entire rental liability being determined by an express percentage of the total Gross Receipts. | | | | |
| Refer to note 31 for details of operating lease commitments relating to discontinuing operations included in the above expenditure commitments. | | | | |
| (c) Other expenditure commitments | | | | |
| Estimated capital expenditure contracted for at balance date but not provided for | | | | |
| Payable not later than one year | | | | |
| - joint ventures | 17,761 | 10,844 | - | - |
| - associates | 3,200 | 23,303 | - | - |
| - other | 34,754 | 1,883 | - | - |
| | 55,715 | 36,030 | - | - |
| Payable later than one year but not later than five years | | | | |
| - joint ventures | 24,873 | 16,487 | - | - |
| - associates | 6,246 | - | - | - |
| - other | 1,387 | 16,950 | - | - |
| | 32,506 | 33,437 | - | - |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(25) Superannuation commitments

There are established superannuation and retirement plans for the benefit of employees of the Company and its controlled and associated entities. The benefits provided are accumulation benefits. Contributions to the plans are based on varying percentages of employees' gross remuneration and are made either by the employer or by the employee and the employer. Contributions made to the plans will not exceed the permitted levels prescribed by income tax legislation from time to time. There are legally enforceable obligations for contributions to be made to the plans in respect of some employees. As the plans are accumulation type funds, no actuarial assessment is made and the level of funds is sufficient to meet applicable employee benefits which may accrue in the event of termination of the plans or on the voluntary or compulsory termination of employment of any employee.

(26) Director and executive disclosures

Directors

The following persons were specified directors of Village Roadshow Limited during the financial year:

Executive directors

Robert G. Kirby, Chairman
John R. Kirby, Deputy Chairman
Graham W. Burke, Managing Director
Peter E. Foo, Finance Director
Peter M. Harvie, Executive Director

Non-executive directors

William J. Conn
D. Barry Reardon
Peter D. Jonson

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

| NAME | POSITION | EMPLOYER |
|---------------------|--|--------------------------|
| Philip S. Leggo | Group Company Secretary | Village Roadshow Limited |
| Julie E. Raffe | Chief Financial Officer | Village Roadshow Limited |
| Gregory Basser | Director - Commercial & Legal, Group Executive in charge of Production | Village Roadshow Limited |
| Tony N. Pane | Chief Tax Counsel | Village Roadshow Limited |
| Simon T. Phillipson | General Counsel | Village Roadshow Limited |

All of the above persons were also specified executives during the year ended 30 June 2003.

Remuneration of directors and specified executives

Remuneration policy

The Remuneration Committee of the Board of Directors of Village Roadshow Limited is responsible for determining and reviewing compensation arrangements for the Company's executive directors. The Remuneration Committee makes recommendations on the remuneration of the executive directors with the overall objective of motivating and appropriately rewarding performance. The recommendations are made in line with the Company's present circumstances and goals to ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team.

The Chairperson, Deputy Chairperson, Managing Director and Finance Director are responsible for determining the compensation arrangements for senior divisional and corporate executives (including the above specified executives) using similar criteria. The Remuneration Committee is kept informed of any major amendments to remuneration arrangements for senior divisional and corporate executives.

All executive directors and senior executives have the opportunity to participate in the Company's bonus scheme where specified criteria are met based on achievement of key executive performance criteria and Company performance in relation to profitability, cash flow, share price growth and other performance indicators.

The total cash remuneration of independent directors (being directors' fees not paid to anyone in an executive capacity) is distinguished from that of executive directors and is approved in aggregate by shareholders in general meetings from time to time.

(26) Director and executive disclosures *continued*

Details of remuneration

Details of the remuneration of each specified director of Village Roadshow Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out in the following tables:

Directors of Village Roadshow Limited

| NAME | NOTE | PRIMARY | | | POST EMPLOYMENT | EQUITY | TOTAL |
|------------------|---------|--------------------------------------|-------------------------|------------------------------|---------------------|---------|-----------|
| | | BASE SALARY/ FEES & ALLOWANCES | ANNUAL CASH BONUS | NON- MONETARY BENEFITS | SUPER- ANNUATION | OPTIONS | |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Robert G. Kirby | 1, 5 | 1,190,160 | 298,700 | 200,279 | 91,149 | - | 1,780,288 |
| John R. Kirby | 1, 5 | 1,190,160 | 298,700 | 193,223 | 91,149 | - | 1,773,232 |
| Graham W. Burke | 1, 3, 5 | 1,190,160 | 298,700 | 176,031 | 91,149 | 222,626 | 1,978,666 |
| Peter E. Foo | | 1,063,246 | 496,000 | 46,268 | 34,254 | - | 1,639,768 |
| Peter M. Harvie | 2, 4 | 585,792 | 100,000 | 81,363 | 25,000 | - | 792,155 |
| William J. Conn | | 88,072 | - | - | 7,928 | - | 96,000 |
| Peter D. Jonson | | 66,056 | - | 20,813 | 5,944 | - | 92,813 |
| D. Barry Reardon | | 126,000 | - | - | - | - | 126,000 |
| Total | | 5,499,646 | 1,492,100 | 717,977 | 346,573 | 222,626 | 8,278,922 |

1. Bonus amounts represent 2003/04 bonus due and payable. Director bonuses are calculated by reference to a cash flow return on investment measure together with a formula to reward superior weighted average share price and market capitalisation growth.
2. Includes amounts paid by Austereo Group Limited in relation to Executive Chairman position.
3. In accordance with a special resolution of the Company's shareholders on 15 May 2001, 6 million options over ordinary shares were allotted to Mr. Graham W. Burke. Two million options are exercisable at an exercise price of \$3.00 not earlier than 15 May 2004; 2 million options are exercisable at an exercise price of \$4.00 not earlier than 15 May 2005; and 2 million options are exercisable at an exercise price of \$5.00 not earlier than 15 May 2006. All the options are exercisable no later than 30 November 2007 or 2 years following cessation of Mr. Burke's employment with the Company, whichever is the earlier. The above options were granted in accordance with the terms of Mr. Burke's Employment Contract dated November 2000. Refer to the option valuation disclosures in the Directors' Report.
4. Includes non-monetary benefits for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Company's and Austereo Group Limited's Executive Share Plans and the Company's Executive and Employee Option Plan.
5. With effect from 1 July 2004, the Remuneration Committee of the Board of Directors approved an increase in Base Salary for each of Messrs R.G. Kirby, J.R. Kirby and G. W. Burke to \$1,550,000 per annum.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(26) Director and executive disclosures *continued*

Details of remuneration *continued*

Total remuneration of directors of Village Roadshow Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046: Director and Executive Disclosures by Disclosing Entities.

| NAME | NOTE | PRIMARY | | | POST EMPLOYMENT | EQUITY | TOTAL |
|-------|------|--------------------------------------|-------------------------|------------------------------|---------------------|---------|-----------|
| | | BASE SALARY/ FEES & ALLOWANCES | ANNUAL CASH BONUS | NON- MONETARY BENEFITS | SUPER- ANNUATION | OPTIONS | |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Total | | 5,151,160 | 1,370,000 | 666,031 | 332,933 | 233,287 | 7,753,411 |

Specified executives of the consolidated entity

| NAME | NOTE | PRIMARY | | | POST EMPLOYMENT | EQUITY | TOTAL |
|---------------------|------|--------------------------------------|-------------------------|------------------------------|---------------------|---------|-----------|
| | | BASE SALARY/ FEES & ALLOWANCES | ANNUAL CASH BONUS | NON- MONETARY BENEFITS | SUPER- ANNUATION | OPTIONS | |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Philip S. Leggo | | 360,508 | 140,000 | 56,951 | 32,419 | - | 589,878 |
| Julie E. Raffe | | 277,648 | 140,000 | 97,639 | 24,938 | - | 540,225 |
| Gregory Bassar | 1, 2 | 1,132,266 | 250,000 | 7,435 | 36,754 | - | 1,426,455 |
| Tony N. Pane | | 956,178 | 250,000 | - | 11,002 | - | 1,217,180 |
| Simon T. Phillipson | | 374,447 | 200,000 | 9,260 | 33,675 | - | 617,382 |
| Total | | 3,101,047 | 980,000 | 171,285 | 138,788 | - | 4,391,120 |

1. Bonus amount relates to amounts paid pursuant to discretionary consulting agreement.

2. Includes non-monetary benefits for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Company's Executive Share Plan.

Total remuneration of specified executives for the year ended 30 June 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046: Director and Executive Disclosures by Disclosing Entities.

| NAME | NOTE | PRIMARY | | | POST EMPLOYMENT | EQUITY | TOTAL |
|-------|------|--------------------------------------|-------------------------|------------------------------|---------------------|---------|-----------|
| | | BASE SALARY/ FEES & ALLOWANCES | ANNUAL CASH BONUS | NON- MONETARY BENEFITS | SUPER- ANNUATION | OPTIONS | |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Total | | 3,015,132 | 1,250,000 | 73,816 | 139,884 | - | 4,478,832 |

Service Agreements

Remuneration and other terms of employment for the Company's Managing Director, the Executive Chairman of Austereo Group Limited and the Company's specified executives are formalised in service agreements. The names of these officers and positions held are set out in Note 26. All major contracts and bonus payments are reviewed by the Remuneration Committee. The major provisions of the agreements of these officers relating to remuneration are as set out below:

Mr. G. W. Burke's 5 year contract with the Company as Managing Director expires on 30 November 2005 with an option to extend for a further 5 years at either party's option. In addition to base salary, superannuation and motor vehicle, CPI adjusted, an annual incentive performance bonus is payable for achieving varying percentages of budgeted net profit before tax. The contract also provides for the grant of 6 million options over ordinary shares (as described above) and a loan of up to \$2 million on terms and conditions to be agreed by the Remuneration Committee of the Company. Other than a global 12 month non-compete clause, the contract does not provide for pre-determined compensation in the event of termination.

(26) Director and executive disclosures *continued*

Service Agreements *continued*

Mr. P. M. Harvie's 5 year contract with Austereo Pty Ltd as Executive Chairman of the Company's controlled entity, Austereo Group Limited, expires on 30 June 2007. In addition to base salary and superannuation, CPI adjusted, an annual discretionary performance bonus is payable together with participation in the Company's and Austereo's Executive Share Plans. Payment for termination without cause is equal to 12 months of salary.

Messrs P. S. Leggo, J. E. Raffe, T. N. Pane and S. T. Phillipson all have service agreements with the Company expiring respectively on 30 November 2005, 30 November 2004, 14 January 2005 and 30 November 2006. Mr Leggo's contract has an option to extend for a further 2 years at the Company's option. In addition to base salary and superannuation, and Company motor vehicles provided to Messrs Leggo and Raffe, all 4 named specified executives are eligible to be paid an annual discretionary performance bonus. Payments under these contracts for redundancy for Messrs Leggo, Raffe and Phillipson is equal to 11, 6 and 12 months of salary respectively. None of the contracts for the 4 named specified executives provide for pre-determined compensation in the event of termination.

Mr. G. Basser has 2 contracts with the Company - one executive employment agreement and a separate Consulting Agreement with Greg Basser Pty Ltd for legal services to the economic entity. Both contracts expire on 30 April 2005 with an option to extend for a further 2 years at the Company's option. The employment agreement provides for base salary and superannuation, CPI adjusted, including a motor vehicle allowance, together with an annual discretionary performance bonus. The Consultancy Agreement provides for the payment of an annual retainer which is adjusted by CPI or \$50,000 per annum whichever is greater, together with an additional performance based retainer and reimbursement of reasonable administrative costs and out of pocket expenses. Neither contract provides for pre-determined compensation in the event of termination. If the Company breaches and either contract is terminated by the other party, it may claim for monies and benefits payable until expiry of the contract, subject to an obligation to mitigate.

Executive Director Mr. P. E. Foo does not have a service agreement with the Company. Discussions are continuing between the Remuneration Committee and the Company's Executive Chairman, Mr. R. G. Kirby, and Executive Deputy Chairman, Mr. J.R. Kirby, for service agreements on similar terms and conditions to Mr. G. W. Burke's contract.

Equity instrument disclosures relating to directors and specified executives

Options provided as remuneration

No options over ordinary shares in the company were provided as remuneration to any specified director of Village Roadshow Limited or any specified executive of the consolidated group during the financial year. All options on issue at the beginning of the financial year had fully vested.

Shares provided on exercise of remuneration options

No options were exercised during the financial year.

Option holdings

The number of options over ordinary shares in the company held during the financial year by each specified director of Village Roadshow Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out below.

| NAME | BALANCE AT BEGINNING OF PERIOD | GRANTED AS REMUNERATION | OPTIONS EXERCISED | NET CHANGE OTHER | BALANCE AT END OF PERIOD | VESTED AND EXERCISABLE AT THE END OF THE YEAR |
|-----------------------------|--------------------------------|-------------------------|-------------------|------------------|--------------------------|---|
| Specified directors | | | | | | |
| Graham W. Burke | 6,000,000 | - | - | - | 6,000,000 | 6,000,000 |
| Specified Executives | | | | | | |
| Nil | | | | | | |

No options are vested and unexercisable at the end of the year.

(26) Director and executive disclosures *continued***Equity instrument disclosures relating to directors and specified executives** *continued**Shareholdings*

The number of shares in the company during the financial year in which each specified director of Village Roadshow Limited and each of the specified executives of the consolidated entity has a relevant interest, including their personally-related entities, are set out below.

| NAME | BALANCE AT THE START OF THE YEAR | | GRANTED AS REMUNERATION | | ON EXERCISE OF OPTIONS | | NET CHANGE OTHER | | BALANCE AT THE END OF THE YEAR | |
|-----------------------------|----------------------------------|------------|-------------------------|------------|------------------------|------------|------------------|-------------|--------------------------------|------------|
| | ORDINARY | PREFERENCE | ORDINARY | PREFERENCE | ORDINARY | PREFERENCE | ORDINARY | PREFERENCE | ORDINARY | PREFERENCE |
| Specified directors | | | | | | | | | | |
| Robert G. Kirby | 118,719,515 | 407,073 | - | - | - | - | (100,000) | (407,073) | 118,619,515 | - |
| John R. Kirby | 118,427,384 | 306,906 | - | - | - | - | 192,131 | (306,906) | 118,619,515 | - |
| Graham W. Burke | 118,559,515 | 1,397,306 | - | - | - | - | 60,000 | (1,397,306) | 118,619,515 | - |
| Peter E. Foo | - | - | - | - | - | - | - | - | - | - |
| Peter M. Harvie | 257,400 | 242,900 | - | - | - | - | - | - | 257,400 | 242,900 |
| William J. Conn | 191,563 | 1,153,019 | - | - | - | - | - | - | 191,563 | 1,153,019 |
| Peter D. Jonson | 10,000 | 33,236 | - | - | - | - | - | - | 10,000 | 33,236 |
| D. Barry Reardon | 10,000 | 8,552 | - | - | - | - | - | - | 10,000 | 8,552 |
| Specified executives | | | | | | | | | | |
| Philip S. Leggo | 64,350 | 364,300 | - | - | - | - | - | - | 64,350 | 364,300 |
| Julie E. Raffae | - | 350,000 | - | - | - | - | - | - | - | 350,000 |
| Gregory Bassar | - | 800,000 | - | - | - | - | - | - | - | 800,000 |
| Tony N. Pane | - | 450,000 | - | - | - | - | - | - | - | 450,000 |
| Simon T. Phillipson | - | 300,000 | - | - | - | - | - | - | - | 300,000 |

(26) Director and executive disclosures *continued*

Equity instrument disclosures relating to directors and specified executives *continued*

Shareholdings continued

The number of shares in Austereo Group Limited during the financial year in which each specified director of Village Roadshow Limited and each of the specified executives of the consolidated entity has a relevant interest, including their personally-related entities, are set out below.

| NAME | BALANCE AT THE START OF THE YEAR | GRANTED AS REMUNERATION | ON EXERCISE OF OPTIONS | NET CHANGE OTHER | BALANCE AT THE END OF THE YEAR |
|-----------------------------|-------------------------------------|----------------------------|---------------------------|---------------------|-----------------------------------|
| | ORDINARY | ORDINARY | ORDINARY | ORDINARY | ORDINARY |
| Specified directors | | | | | |
| Robert G. Kirby | 251,562,594 | - | - | - | 251,562,594 |
| John R. Kirby | 251,562,594 | - | - | 53,460 | 251,616,054 |
| Graham W. Burke | 251,562,594 | - | - | - | 251,562,594 |
| Peter E. Foo | - | - | - | - | - |
| Peter M. Harvie | 1,030,001 | - | - | - | 1,030,001 |
| William J. Conn | - | - | - | - | - |
| Peter D. Jonson | - | - | - | - | - |
| D. Barry Reardon | - | - | - | - | - |
| Specified executives | | | | | |
| Philip S. Leggo | - | - | - | - | - |
| Julie E. Raffe | - | - | - | - | - |
| Gregory Basser | - | - | - | - | - |
| Tony N. Pane | 6,054 | - | - | - | 6,054 |
| Simon T. Phillipson | - | - | - | - | - |

With the exception of 6,054 Austereo Group Limited shares held by Mr. T. N. Pane, all shares held by Messrs. P. M. Harvie, P. S. Leggo, J. E. Raffe, G. Basser, T. N. Pane and S. T. Phillipson are held under the Company's and Austereo Group Limited's Executive Share Plans and the Company's Executive and Employee Option Plan.

Details of unissued shares under option, and shares issued as a result of the exercise of options, are set out above.

All equity transactions with specified directors and executives other than those held under the Company's Executive Share Plan and Executive and Employee Option Plan have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(26) Director and executive disclosures *continued*

Loans to directors and specified executives

Details of loans made to directors of Village Roadshow Limited and the specified executives of the consolidated entity, including their personally-related entities, are set out below.

Aggregates for specified directors and specified executives

| 2004 GROUP | BALANCE AT THE START OF THE YEAR | INTEREST CHARGED | INTEREST NOT CHARGED | WRITE-OFF | BALANCE AT THE END OF THE YEAR | NUMBER IN GROUP AT THE END OF THE YEAR |
|---|---|---------------------|----------------------------|-----------|---|---|
| | \$ | \$ | \$ | \$ | \$ | NO. |
| Directors of Village Roadshow Limited | 3,380,597 | 119,107 | 73,265 | - | 3,432,054 | 1 |
| Specified executives of the consolidated entity | 4,325,061 | 234,715 | 7,435 | - | 4,559,776 | 5 |

| 2003 GROUP | BALANCE AT THE START OF THE YEAR | INTEREST CHARGED | INTEREST NOT CHARGED | WRITE-OFF | BALANCE AT THE END OF THE YEAR | NUMBER IN GROUP AT THE END OF THE YEAR |
|---|---|---------------------|----------------------------|-----------|---|---|
| | \$ | \$ | \$ | \$ | \$ | NO. |
| Directors of Village Roadshow Limited | 3,451,116 | 119,107 | 66,220 | - | 3,380,597 | 1 |
| Specified executives of the consolidated entity | 4,470,992 | 229,715 | 599 | - | 4,325,061 | 5 |

Individuals with loans above \$100,000 during the financial year

| 2004 GROUP | BALANCE AT THE START OF THE YEAR | INTEREST CHARGED | INTEREST NOT CHARGED | WRITE-OFF | BALANCE AT THE END OF THE YEAR |
|-----------------------------|---|---------------------|----------------------------|-----------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Specified director | | | | | |
| Peter M. Harvie | 3,380,597 | 119,107 | 73,265 | - | 3,432,054 |
| Specified executives | | | | | |
| Philip S. Leggo | 790,896 | 44,715 | - | - | 835,611 |
| Julie E. Raffe | 578,392 | 35,000 | - | - | 613,392 |
| Gregory Basser | 1,715,983 | 80,000 | 7,435 | - | 1,795,983 |
| Tony N. Pane | 743,879 | 45,000 | - | - | 788,879 |
| Simon T. Phillipson | 495,911 | 30,000 | - | - | 525,911 |

Terms and conditions of loans

Under the terms of the Executive & Employee Option Plan Loan Facility, dividends are used to repay the interest accrued with any surplus dividend payment used to repay the capital amount of the loan.

Under the terms of the Executive Share Plan Loan Facility, the first 10 cents of every dividend per share is used to repay the interest accrued and 50% of any remaining dividend per share is used to repay the capital amount of the loan.

Under the terms of the Austereo Group Limited Executive Share Plan & Loan Facility, the first 6 cents of every dividend per share is used to repay the interest accrued and 50% of any remaining dividend per share is used to repay the capital amount of the loan.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

No write-downs or allowances for doubtful receivables have been recognised in relation to the principal amounts of any loans made to specified directors or specified executives.

(26) Director and executive disclosures *continued*

Other transactions and balances with specified directors and specified executives

Messrs R.G. Kirby, J.R. Kirby and G.W. Burke each had an economic interest of 8.33% in Penfolds Buscombe Limited up to 6 February 2004. A total of \$1,112,371 was paid to Penfolds Buscombe Limited (2003: \$1,138,565) for printing and stationery services provided to the Economic Entity during the period that this economic interest was held. As detailed in the Corporate Governance Statement, all purchases of major consumables are obtained by a periodic competitive tendering process.

Reimbursement of rental and vehicle expenses of \$41,600 (2003: \$44,200) was made to Vinden Lodge Pty. Limited, a company in which Mr. P.E. Foo has a significant interest.

In the year ended 30 June 2003, a trust distribution and fees of \$734,592 were paid by Roadshow Unit Trust, a controlled entity of Roadshow Distributors Pty. Limited, to Mr G. W. Burke, a Director of the Trustee, in his capacity as a unitholder. Mr G.W. Burke had held this unitholding in the Roadshow Unit Trust since prior to the listing of the Village Roadshow Limited group. In December 2002, the other unitholders of the Roadshow Unit Trust agreed to purchase the 17.5% of units in the Roadshow Unit Trust, as well as the New Zealand Management Fee Rights, from Mr. G.W. Burke based on an independent valuation. This resulted in the Village Roadshow Limited group purchasing 51.43% of Mr G.W. Burke's unitholding in the Roadshow Unit Trust, and 50% of Mr. G.W. Burke's interest in the New Zealand Management Fee Rights, for a total cash payment of \$5,114,286.

Various companies associated with Mr. R. G. Kirby compensate the Village Roadshow Limited group in return for services provided. These transactions are carried out under arm's length terms and conditions and are trivial in nature.

The economic entity purchases water from Palm Springs Limited, an entity in which Mr. W. J. Conn has a 16% economic interest. These transactions are carried out under arm's length terms and conditions and are trivial in nature.

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| (27) Remuneration of auditors | | | | |
| Aggregate remuneration received or due and receivable by the auditors, directly or indirectly from the chief entity or any related entity, in connection with – | | | | |
| Chief entity auditor – | | | | |
| Auditing accounts | 1,032 | 995 | 150 | 140 |
| Other services ¹ | 1,098 | 1,129 | – | – |
| Other auditors – | | | | |
| Auditing accounts | 291 | 255 | – | – |
| Other services ¹ | 500 | 479 | – | – |
| | 2,921 | 2,858 | 150 | 140 |
| ¹ Dissection of Other Services: | | | | |
| Tax | 870 | 990 | – | – |
| Corporate Finance | 129 | 286 | – | – |
| Assurance related | 597 | 249 | – | – |
| Other | 2 | 83 | – | – |
| | 1,598 | 1,608 | – | – |

(28) Events subsequent to reporting date

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

Subsequent to 30 June 2004, in accordance with a notification to Australian Stock Exchange Ltd. on 16 June 2004, Village Roadshow Ltd. bought back a further 23,005,797 Ordinary shares on market, for a total consideration of \$45,306,943. This was in addition to the 484,203 Ordinary Shares bought back prior to 30 June 2004.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(29) Interests in joint venture operations

Interests in joint venture operations:

Names and principal activities of joint venture operations, the percentage interest held by entities in the economic entity and the contributions of those joint venture operations to results after tax –

| NAME | BUSINESS | % OWNED | CONTRIBUTIONS TO OPERATING PROFIT AFTER TAX | |
|---|----------------------------|---------|---|----------------|
| | | | 2004 \$'000 | 2003 \$'000 |
| Adelaide Nova / Palace | Cinema operator | 25.00% | 47 | 82 |
| Austereo / Simon Richards | Direct marketing | 29.96% | (591) | (3,418) |
| Australian Theatres | Multiplex cinema operators | 50.00% | 15,812 | 12,285 |
| Browns Plains Multiplex Cinemas | Multiplex cinema operators | 33.33% | 91 | 33 |
| Canberra FM Radio | Radio broadcasting | 29.96% | 2,074 | 1,139 |
| Carlton Nova / Palace | Cinema operator | 25.00% | 433 | 439 |
| Castle Towers Multiplex Cinemas | Multiplex cinema operators | 33.33% | 1,420 | 1,354 |
| Damodar Village Force Cinemas | Cinema operator | 33.33% | 559 | 466 |
| Damodar & VAGH Village Force Cinemas | Cinema operator | 33.33% | 20 | 37 |
| Data Sell Teleservices | Teleservices | 29.96% | - | - |
| Eye Village | Mall advertising | 50.00% | - | 558 |
| Geelong Cinema | Cinema operator | 50.00% | 178 | (69) |
| Jam Factory Cinema | Cinema operator | 50.00% | 299 | 20 |
| Jam Factory Shopping Centre | Non-operating | 50.00% | 11 | (124) |
| Luna/Palace Cinema | Cinema operator | 25.00% | 198 | 196 |
| MCM Entertainment | Music media | 29.96% | 357 | (16) |
| Morwell Multiplex Cinemas | Cinema operator | 75.00% | 273 | 168 |
| Movieline | Cinema ticket seller | 33.33% | (207) | (516) |
| Mt. Gravatt Multiplex Cinemas | Cinema operator | 33.33% | 1,049 | 811 |
| Parramatta Cinemas | Cinema operator | 50.00% | (179) | (103) |
| Queen Street, New Zealand | Cinema operator | 33.33% | 804 | 1,057 |
| Rialto Cinemas | Cinema operator | 25.00% | 234 | 277 |
| Village Sky City Cinemas (previously Village Force Entertainment) | Cinema operator | 50.00% | 4,110 | 4,932 |
| Village / GUO / BCC Cinemas | Cinema operator | 50.00% | 3,577 | 2,565 |
| Village / GUO / Victorian Multiplex Cinemas | Cinema operator | 50.00% | 573 | 273 |
| Village / Sali Cinemas Bendigo | Cinema operator | 50.00% | 628 | 502 |
| Village Anderson Cinemas | Cinema operator | 50.00% | 678 | 586 |
| Village Palace Cinemas | Cinema operator | 50.00% | (374) | 313 |
| Village Warrnambool Cinemas | Cinema operators | 50.00% | 190 | 180 |
| Movie World Holdings | Theme park, Queensland | 33.33% | 4,914 | 4,358 |
| Warner Village Cinema Operating Assets ¹ | Property owner/lessor | 50.00% | (85) | (1,005) |
| Warner Village Cinema Properties ¹ | Property owner/lessor | 50.00% | (1,541) | (11,223) |
| Warner Village Exhibition Operating Assets ¹ | Property owner/lessor | 49.99% | 257 | 1,407 |
| Warner Village Exhibition Properties ¹ | Property owner/lessor | 49.99% | (463) | (3,269) |
| | | | 35,346 | 14,295 |

¹ Effective 12 May 2003, the assets and operations of the above joint ventures were sold as part of the group's disposal of the Warner Village circuit in the United Kingdom.

CONSOLIDATED

2004
\$'000 2003
\$'000

(29) Interests in joint venture operations *continued*

Aggregate share of assets in joint ventures -

Current assets:

| | | |
|-------------|-------|--------|
| Cash | 8,603 | 6,266 |
| Receivables | 9,392 | 30,426 |
| Inventories | 832 | 843 |
| Other | 356 | 316 |

Non-current assets:

| | | |
|-----------------------------|---------|---------|
| Property, plant & equipment | 130,901 | 254,933 |
| Radio licence | 8,961 | 8,961 |
| Receivables | 81,790 | 98,338 |
| Other | 24,935 | 24,295 |

| | | |
|--|---------|---------|
| | 265,770 | 424,378 |
|--|---------|---------|

Notes to the Financial Statements continued

for the year ended 30 June 2004

(30) Segment reporting

(a) Reporting by business segments^{1,2} (Notes: refer page 86)

| | EXHIBITION | | THEME PARKS | | RADIO | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Amounts including specific items & discontinuing operations | | | | | | |
| Revenue from external customers | 419,664 | 433,628 | 18,287 | 15,228 | 241,307 | 240,794 |
| Share of associates net profit (loss) | 4,967 | 19,275 | 9,537 | 9,595 | 1,479 | 1,015 |
| Total segment revenue | 424,631 | 452,903 | 27,824 | 24,823 | 242,786 | 241,809 |
| Segment result | 14,689 | (59,609) | 16,319 | 14,133 | 71,058 | 62,186 |
| Income tax revenue (expense) | | | | | | |
| Net profit | | | | | | |
| Profit attributed to outside equity interest | | | | | | |
| Net profit attributable to members | | | | | | |
| Depreciation and amortisation expense | 28,259 | 45,132 | 3,685 | 3,816 | 8,060 | 8,520 |
| Non-cash expenses other than depreciation | 1,985 | 78,466 | 100 | 917 | (140) | 1,298 |
| Segment assets | 451,757 | 551,341 | 81,974 | 81,134 | 493,141 | 544,170 |
| Segment liabilities | 116,525 | 133,209 | 36 | (3) | 55,150 | 49,139 |
| Investments in associates included in segment assets | 30,808 | 65,884 | 31,005 | 37,783 | 6,490 | 6,252 |
| Acquisition of property, plant & equipment and intangible assets | 22,233 | 79,837 | 2,859 | 15,792 | 4,506 | 3,783 |
| Amounts excluding specific items & discontinuing operations | | | | | | |
| Revenue from external customers | 408,425 | 412,922 | 18,287 | 15,228 | 241,307 | 229,018 |
| Share of associates net profit (loss) | 4,967 | 14,329 | 9,537 | 9,595 | 1,479 | 1,015 |
| Total segment revenue | 413,392 | 427,251 | 27,824 | 24,823 | 242,786 | 230,033 |
| Segment result | 26,964 | 15,796 | 16,319 | 14,133 | 71,058 | 74,554 |
| Income tax revenue (expense) | | | | | | |
| Net profit excluding specific items & discontinuing operations | | | | | | |
| Profit attributed to outside equity interest | | | | | | |
| Net profit excluding specific items and discontinuing operations attributable to members | | | | | | |

| | PRODUCTION | | DISTRIBUTION | | UNALLOCATED | | TOTAL | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| | 1,498,065 | 638,409 | - | - | 49,140 | 446,652 | 2,226,463 | 1,774,711 |
| | - | - | 15,369 | 9,334 | (137) | - | 31,215 | 39,219 |
| | 1,498,065 | 638,409 | 15,369 | 9,334 | 49,003 | 446,652 | 2,257,678 | 1,813,930 |
| | 76,296 | (3,042) | 15,369 | 9,334 | (94,337) | 15,441 | 99,394 | 38,443 |
| | | | | | | | (30,425) | (49,909) |
| | | | | | | | 68,969 | (11,466) |
| | | | | | | | 16,752 | 14,550 |
| | | | | | | | 52,217 | (26,016) |
| | 564,722 | 94,597 | - | - | 5,219 | 3,364 | 609,945 | 155,429 |
| | (591) | (395) | - | - | 464 | 9 | 1,818 | 80,295 |
| | 1,092,089 | 1,389,272 | 56,313 | 34,587 | 288,004 | 304,147 | 2,463,278 | 2,904,651 |
| | 116,847 | 191,609 | - | - | 1,226,002 | 1,452,704 | 1,514,560 | 1,826,658 |
| | - | - | 37,123 | 6,418 | (205) | 155 | 105,221 | 116,492 |
| | 1,771 | 2,150 | - | - | 5,015 | 11,498 | 36,384 | 113,060 |
| | 1,498,065 | 638,409 | - | - | 43,404 | 48,821 | 2,209,488 | 1,344,398 |
| | - | - | 15,369 | 9,334 | (137) | - | 31,215 | 34,273 |
| | 1,498,065 | 638,409 | 15,369 | 9,334 | 43,267 | 48,821 | 2,240,703 | 1,378,671 |
| | 76,296 | 50,525 | 15,369 | 9,334 | (90,322) | (60,531) | 115,684 | 103,811 |
| | | | | | | | (30,425) | (24,376) |
| | | | | | | | 85,259 | 79,435 |
| | | | | | | | 16,752 | 18,385 |
| | | | | | | | 68,507 | 61,050 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(30) Segment reporting

(b) Reporting by geographic segments²

| | AUSTRALIA | | USA | | BRITISH VIRGIN ISLANDS | | NEW ZEALAND | |
|--|----------------|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Amounts including specific items & discontinuing operations | | | | | | | | |
| Revenue from external customers | 511,276 | 535,368 | 288 | 2,995 | 1,497,594 | 564,558 | 27,497 | 25,637 |
| Share of associates net profit (loss) | 28,820 | 21,598 | - | - | - | - | 107 | 214 |
| Total segment revenue | 540,096 | 556,966 | 288 | 2,995 | 1,497,594 | 564,558 | 27,604 | 25,851 |
| Segment assets | 890,095 | 951,466 | 2,672 | 4,115 | 1,085,948 | 1,276,889 | 25,045 | 26,063 |
| Acquisition of property, plant & equipment and intangible assets | 29,409 | 77,173 | 37 | - | - | 571 | 760 | 3,355 |
| Amounts excluding specific items & discontinuing operations | | | | | | | | |
| Revenue from external customers | 511,276 | 523,592 | 288 | 2,995 | 1,497,594 | 564,558 | 27,497 | 25,637 |
| Share of associates net profit (loss) | 28,820 | 21,598 | - | - | - | - | 107 | 214 |
| Total segment revenue | 540,096 | 545,190 | 288 | 2,995 | 1,497,594 | 564,558 | 27,604 | 25,851 |

Notes (for business and geographic segment reporting):

¹ Description of Business Segments:

- Exhibition: Cinema exhibition.
- Theme Parks: Theme park operations.
- Radio: FM radio operations.
- Production: Film production.
- Distribution: Film, DVD & video distribution.

² For primary segment reporting purposes, Leisure and Greece/Singapore Distribution business unit results are combined with Exhibition, and the Australian and NZ Distribution results are separately reported as Distribution.

The definition of segment revenues, segment result, segment assets and segment liabilities restricts the segment disclosures to operating activities and therefore excludes certain financing and investing transactions. The 'unallocated' column therefore combines financial information which is not reported in one of the primary business segments and transactions excluded from the segment definitions. The exclusions from segment definitions are mainly comprised of:

- Segment Revenue: interest revenue, proceeds on disposal of assets.
- Segment Result: interest revenue & expense, profit/loss on disposal of assets.
- Segment Assets: cash, investments which are not equity accounted, loans receivable (other than loans to associates), tax assets.
- Segment Liabilities: borrowings, loans payable (other than loans from associates), tax liabilities.

| | ASIA | | SOUTH AMERICA | | EUROPE | | UNALLOCATED | | TOTAL | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| | 4,221 | 11,662 | - | - | 165,877 | 209,999 | 19,710 | 424,492 | 2,226,463 | 1,774,711 |
| | 2,335 | 7,609 | - | - | (47) | 9,798 | - | - | 31,215 | 39,219 |
| | 6,556 | 19,271 | - | - | 165,830 | 219,797 | 19,710 | 424,492 | 2,257,678 | 1,813,930 |
| | 58,147 | 29,882 | 23,663 | 25,002 | 174,872 | 328,151 | 202,836 | 263,083 | 2,463,278 | 2,904,651 |
| | 79 | 24 | - | - | 6,099 | 31,937 | - | - | 36,384 | 113,060 |
| | 4,221 | 2,548 | - | - | 154,637 | 198,407 | 13,975 | 26,661 | 2,209,488 | 1,344,398 |
| | 2,335 | 2,663 | - | - | (47) | 9,798 | - | - | 31,215 | 34,273 |
| | 6,556 | 5,211 | - | - | 154,590 | 208,205 | 13,975 | 26,661 | 2,240,703 | 1,378,671 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(31) Discontinuing operations

During the year ended 30 June 2004, the economic entity continued to wind down the operations which were discontinued in prior periods, and it is noted that progressive asset sales are in progress in relation to Germany, and exit options are still being progressed in relation to Austria. The cinema operations of both Germany & Austria were classified as discontinuing operations in previous financial years. The results of discontinuing cinema operations are included in the Exhibition business segment, the results of discontinuing old production operations are included in the Production business segment in 2003, and the results of discontinuing A-Live Worldwide operations are included in the Radio business segment in 2003. These disposals and cessation of activities are part of a major restructuring program which is aimed at improving the return on assets across the economic entity.

| | GERMANY | AUSTRIA | TOTAL EXHIBITION | TOTAL GROUP |
|---|----------------|----------------|---------------------|----------------|
| | 2004 \$'000 | 2004 \$'000 | 2004 \$'000 | 2004 \$'000 |
| <i>(i) Financial Performance Information</i> | | | | |
| Sales revenue | - | 10,664 | 10,664 | 10,664 |
| Other revenue | 486 | 106 | 592 | 592 |
| Share of net profits (losses) of associates | - | - | - | - |
| Interest expense | - | 21 | 21 | 21 |
| Other expenses | 9,073 | 13,595 | 22,668 | 22,668 |
| Operating profit (loss) from discontinuing operations before tax | (8,587) | (2,846) | (11,433) | (11,433) |
| Income tax revenue (expense) | - | - | - | - |
| Operating profit (loss) from discontinuing operations after tax | (8,587) | (2,846) | (11,433) | (11,433) |
| <i>(ii) Cash flow Information</i> | | | | |
| The consolidated net cash flows of the discontinuing operation during the reporting period were as follows: | | | | |
| Net operating cash flows | (5,927) | (404) | (6,331) | (6,331) |
| Net investing cash flows | - | - | - | - |
| Net financing cash flows | - | - | - | - |
| Total net cash flows | (5,927) | (404) | (6,331) | (6,331) |
| <i>(iii) Financial Position/Other Information</i> | | | | |
| Assets - carrying amount at balance date | 2,912 | 1,500 | 4,412 | 4,412 |
| Liabilities at balance date | 5,272 | 5,847 | 11,119 | 11,119 |
| Net assets (liabilities) at balance date | (2,360) | (4,347) | (6,707) | (6,707) |
| Net assets disposed of | - | - | - | - |
| Selling price of net assets disposed | - | - | - | - |
| Profit (Loss) on disposal of net assets | - | - | - | - |
| Tax expense (credit) relating to disposal of net assets | - | - | - | - |
| <i>(iv) Expenditure commitments:</i> | | | | |
| Operating leases - minimum lease payments | | | | |
| Payable within 1 year | | | | 4,073 |
| Payable between 1 and 5 years | | | | 16,291 |
| Payable after 5 years | | | | 54,465 |
| | | | | <u>74,829</u> |

(31) Discontinuing operations *continued*

| | THAILAND | INDIA | GERMANY | AUSTRIA | FRANCE | KOREA | MALAYSIA | TOTAL EXHIBITION | RADIO | PRODUCTION | TOTAL GROUP |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|
| | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 | 2003 \$'000 |
| <i>(i) Financial Performance Information</i> | | | | | | | | | | | |
| Sales revenue | - | - | - | 11,541 | - | - | - | 11,541 | 11,776 | - | 23,317 |
| Other revenue | - | (294) | 1,774 | 50 | - | 133,938 | 5,557 | 141,025 | - | - | 141,025 |
| Share of net profits (losses) of associates | - | - | - | - | - | 4,946 | - | 4,946 | - | - | 4,946 |
| Interest expense | - | - | - | - | - | - | - | - | 224 | - | 224 |
| Other expenses | - | 67 | 12,538 | 14,587 | 589 | 47,730 | 5,731 | 81,242 | 23,045 | 3,000 | 107,287 |
| Operating profit (loss) from discontinuing operations before tax | - | (361) | (10,764) | (2,996) | (589) | 91,154 | (174) | 76,270 | (11,493) | (3,000) | 61,777 |
| Income tax revenue (expense) | - | - | - | - | - | - | - | - | 3,422 | - | 3,422 |
| Operating profit (loss) from discontinuing operations after tax | - | (361) | (10,764) | (2,996) | (589) | 91,154 | (174) | 76,270 | (8,071) | (3,000) | 65,199 |
| <i>(ii) Cash flow Information</i> | | | | | | | | | | | |
| The consolidated net cash flows of the discontinuing operation during the reporting period were as follows: | | | | | | | | | | | |
| Net operating cash flows | - | - | (6,292) | (2,553) | (589) | (5,708) | - | (15,142) | (11,716) | - | (26,858) |
| Net investing cash flows | 11,766 | 2,706 | 3,061 | - | - | 129,571 | 5,311 | 152,415 | - | - | 152,415 |
| Net financing cash flows | (141) | - | - | - | - | - | - | (141) | - | - | (141) |
| Total net cash flows | 11,625 | 2,706 | (3,231) | (2,553) | (589) | 123,863 | 5,311 | 137,132 | (11,716) | - | 125,416 |
| <i>(iii) Financial Position/Other Information</i> | | | | | | | | | | | |
| Assets – carrying amount at balance date | - | - | 14,259 | 1,479 | - | - | - | 15,738 | 5 | - | 15,743 |
| Liabilities at balance date | - | - | 8,364 | 3,174 | - | - | - | 11,538 | - | - | 11,538 |
| Net assets (liabilities) at balance date | - | - | 5,895 | (1,695) | - | - | - | 4,200 | 5 | - | 4,205 |
| Net assets disposed of | - | - | - | - | - | 47,729 | - | 47,729 | - | - | 47,729 |
| Selling price of net assets disposed | - | - | - | - | - | 131,794 | - | 131,794 | - | - | 131,794 |
| Profit (Loss) on disposal of net assets | - | - | - | - | - | 84,065 | - | 84,065 | - | - | 84,065 |
| Tax expense (credit) relating to disposal of net assets | - | - | - | - | - | - | - | - | - | - | - |
| <i>(iv) Expenditure commitments:</i> | | | | | | | | | | | |
| Operating leases – minimum lease payments | | | | | | | | | | | |
| Payable within 1 year | | | | | | | | | | | 3,877 |
| Payable between 1 and 5 years | | | | | | | | | | | 15,508 |
| Payable after 5 years | | | | | | | | | | | 55,994 |
| | | | | | | | | | | | 75,379 |

Notes to the Financial Statements continued

for the year ended 30 June 2004

(32) Financial instruments

(a) Terms, conditions and accounting policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised Financial Instruments

(i) Financial assets

Receivables – trade debtors:

Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Credit sales are normally settled on 30 day terms.

Receivables – associated entities and other advances:

Amounts (other than trade debts) receivable from associated entities and for other advances are carried at nominal amounts due. Interest, when charged, is recognised in the statement of financial performance on an accrual basis.

Secured and unsecured advances

Secured and unsecured advances are shown at cost. Interest, when charged, is recognised in the statement of financial performance on an accrual basis.

(ii) Financial liabilities

Trade and sundry creditors:

Creditors are recognised at amounts to be paid in the future for goods and services already received, whether or not billed to the economic entity and are normally settled on 30 day terms.

Accounts payable – associated and other entities:

Amounts owing to associated and other entities are carried at the principal amount. Interest, when charged, is recognised in the statement of financial performance on an accrual basis.

Secured and unsecured borrowings:

Borrowings are carried at the principal amount. Interest is recognised in the statement of financial performance on an accrual basis. Bank loans are repayable either monthly, quarterly, bi-annually, annually or at expiry with terms ranging from less than one year to greater than five years. While interest is charged either at the bank's floating rate or at a contracted rate above the Australian dollar BBSY rate, certain borrowings are subject to interest rate swaps. Refer interest rate swaps in the unrecognised financial instruments section below.

Details of security over bank loans is set out in Note 17.

Provision for dividends:

Dividends payable represents provision for a final dividend of Nil cents (2003: Nil cents) per Ordinary share and Nil cents (2003: Nil cents) per A Class Preference share for the financial year ended 30 June 2004.

Convertible Notes

Refer Note 17 for details in relation to convertible notes issued by the chief entity.

Finance lease liabilities:

Finance lease liabilities are accounted for in accordance with AASB 1008: Leases. As at balance date, the economic entity had finance leases with an average lease term of 3 years. The average discount rate implicit in the leases is 7% p.a.

(iii) Equity

Ordinary shares:

From 1 July 1998, Ordinary share capital has been increased based on the proceeds received from shares issued (less direct share issue costs), and decreased based on the buyback cost (including direct buyback costs). Prior to that date, Ordinary share capital was recognised at the par value of the amount paid up, and any excess between the par value and the issue price was recorded in the share premium reserve. Details of shares issued and the terms and conditions of options outstanding over Ordinary shares at balance date are set out in Note 20.



(32) Financial instruments *continued*

(a) Terms, conditions and accounting policies *continued*

Recognised Financial Instruments *continued*

(iii) Equity continued

Preference shares:

From 1 July 1998, Preference share capital has been increased based on the proceeds received from shares issued (less direct share issue costs), and decreased based on the buyback cost (including direct buyback costs). Prior to that date, Preference share capital was recognised at the par value of the amount paid up, and any excess between the par value and the issue price was recorded in the share premium reserve. Details of shares issued and the terms and conditions of options outstanding over Preference shares at balance date are set out in Note 20.

Unrecognised Financial Instruments

Interest rate swaps:

The economic entity enters into interest rate swap or hedge agreements that are used to convert the variable interest rates attached to various of its specific facilities into fixed interest rates. The swaps are entered into with the objective of ensuring that earnings are not subject to wide fluctuations caused by fluctuating interest commitments and ensuring compliance with loan covenants. Interest rate swaps are not recognised in the financial statements.

At balance date, various entities within the economic entity had entered into interest rate swaps on debts totalling \$922 million. These swaps covered approximately 88% of total borrowings of the economic entity drawn down at balance date. The majority of the swaps mature in the medium to long term.

(32) Financial instruments continued**(b) Interest rate risk**

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

| | FLOATING INTEREST RATE | | FIXED INTEREST RATE MATURING IN: | | | | | | NON-INTEREST BEARING | | | TOTAL CARRYING AMOUNT AS PER STATEMENT OF FINANCIAL POSITION | | WEIGHTED AVERAGE EFFECTIVE INTEREST RATE | | |
|--|------------------------|---------|----------------------------------|---------|------------------------|---------|-------------------|-----------|----------------------|---------|---------|--|-----------|--|-------|-------|
| | | | 1 YEAR OR LESS | | OVER 1 YEAR TO 5 YEARS | | MORE THAN 5 YEARS | | | | | | | | | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| FINANCIAL INSTRUMENTS | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | % | % |
| <i>(i) Financial assets</i> | | | | | | | | | | | | | | | | |
| Cash | 110,076 | 177,730 | - | - | - | - | - | - | - | - | - | - | 110,076 | 177,730 | 4.11% | 4.75% |
| Receivables - trade debtors | - | - | - | - | - | - | - | - | - | 304,045 | 277,668 | - | 304,045 | 277,668 | N/A | N/A |
| Receivables - associated entities and other advances | - | 34,750 | - | - | - | - | - | - | 150,332 | 140,334 | - | 150,332 | 175,084 | - | N/A | 2.78% |
| Secured advances | 24,294 | 26,810 | - | - | - | - | - | - | - | - | - | 24,294 | 26,810 | 4.42% | 4.23% | |
| Unsecured advances | - | - | - | - | - | - | - | - | 33,434 | 24,401 | - | 33,434 | 24,401 | N/A | N/A | |
| Security deposits | 101,611 | 104,948 | - | - | - | - | - | - | 1,128 | 5,930 | - | 102,739 | 110,878 | 0.75% | 0.72% | |
| Total financial assets | 235,981 | 344,238 | - | - | - | - | - | - | 488,939 | 448,333 | - | 724,920 | 792,571 | | | |
| <i>(ii) Financial liabilities</i> | | | | | | | | | | | | | | | | |
| Trade and sundry creditors | - | - | - | - | - | - | - | - | 229,430 | 300,370 | - | 229,430 | 300,370 | N/A | N/A | N/A |
| Accounts payable - associated and other entities | - | - | - | - | - | - | - | - | 55,829 | 70,092 | - | 55,829 | 70,092 | N/A | N/A | |
| Secured and unsecured borrowings (refer Note 1) | 64,093 | 46,533 | 258,080 | 100,000 | 639,615 | 69,063 | 60,349 | 1,012,141 | - | - | - | 1,022,137 | 1,227,737 | 6.19% | 6.00% | |
| Convertible notes | - | - | - | - | 13,461 | 25,598 | - | - | - | - | - | 13,461 | 25,598 | 6.50% | 6.50% | |
| Finance lease liabilities | - | - | 4,755 | 3,500 | 7,311 | 11,143 | - | - | - | - | - | 12,066 | 14,643 | 6.84% | 6.83% | |
| Interest rate swaps | - | - | - | - | - | - | - | - | - | - | - | * | * | N/A | N/A | |
| Total financial liabilities | 64,093 | 46,533 | 262,835 | 103,500 | 660,387 | 105,804 | 60,349 | 1,012,141 | 285,259 | 370,462 | - | 1,332,923 | 1,638,440 | | | |

N/A - not applicable for non-interest bearing financial instruments.

* not applicable since these financial instruments are not recognised in the financial statements.

Note 1. The majority of the economic entity's debt subject to a fixed interest rate is split between an interest rate swap and an interest rate cap. The floating market rate is applied to that proportion of the debt covered by the interest rate cap where it is less than the cap rate.

(32) Financial instruments *continued*

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

| | TOTAL CARRYING AMOUNT AS PER STATEMENT OF FINANCIAL POSITION | | AGGREGATE NET FAIR VALUE | |
|--|--|------------------|-----------------------------|------------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| <i>Financial assets:</i> | | | | |
| Cash | 110,076 | 177,730 | 110,076 | 177,730 |
| Receivables – trade debtors | 304,045 | 277,668 | 304,045 | 277,668 |
| Receivables – associated entities and other advances | 150,332 | 175,084 | 128,655 | 140,258 |
| Secured advances | 24,294 | 26,810 | 20,562 | 21,477 |
| Unsecured advances | 33,434 | 24,401 | 33,434 | 24,401 |
| Security Deposits | 102,739 | 110,878 | 97,492 | 104,699 |
| Total financial assets | 724,920 | 792,571 | 694,264 | 746,233 |
| <i>Financial liabilities:</i> | | | | |
| Trade and sundry creditors | 229,430 | 300,370 | 229,430 | 300,370 |
| Accounts payable – associated and other entities | 55,829 | 70,092 | 55,829 | 70,092 |
| Secured and unsecured borrowings | 1,022,137 | 1,227,737 | 925,356 | 1,131,014 |
| Convertible notes | 13,461 | 25,598 | 13,050 | 24,874 |
| Finance lease liabilities | 12,066 | 14,643 | 12,020 | 13,700 |
| Interest rate swaps (refer Note 1) | * | * | 6,353 | 49,771 |
| Total financial liabilities | 1,332,923 | 1,638,440 | 1,242,038 | 1,589,821 |

* not applicable since these financial instruments are not recognised in the financial statements.

Note 1. A major swap represented \$48 million of the unrecognised interest rate swap liability as at 30 June 2003. Valuations performed subsequent to that balance date indicated that the liability had reduced significantly to \$7.3m by 31 August 2003 in accordance with an increase in market interest rates. No significant movement has been noted in respect of swaps outstanding at 30 June 2004 between the balance date and the date of this report.

Receivables from associated entities and other advances, secured advances and security deposits, are carried in excess of their net fair value. The Directors have decided not to write down these amounts since they expect to recover their full face values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash, cash equivalents and short-term deposits:

The carrying amount approximates fair value because of short-term maturity.

Receivables and accounts payable – current:

The carrying amount approximates fair value because of short-term maturity.

Receivables – non current:

The fair values of non current receivables are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of arrangements.

Dividends payable:

The carrying amount approximates fair value.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(32) Financial instruments *continued*

(c) Net fair values *continued*

Recognised financial instruments *continued*

Borrowings – current:

The carrying amount approximates fair value because of short-term maturity.

Borrowings – non current:

The fair values of non current borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of arrangements.

Unrecognised financial instruments

Interest rate swaps:

The fair values of interest rate swap contracts is determined as the difference in present value of the future interest cash flows.

(d) Credit risk exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The economic entity's maximum credit risk exposure in relation to these is as follows:

Interest rate swap contracts – limited to the net fair value of the swap agreements at balance date, being a liability of \$6.4 million (2003: \$49.8 million). Refer also note 1 to Note 32(c) above, which details a significant reduction in the net fair value of the 2003 swap liability subsequent to the 30 June 2003 balance date.

Concentrations of credit risk:

The majority of the value of the Production segment's trade debtors are with one entity, which is located in the United Kingdom. This trade accounts receivable amount is guaranteed by a substantial wholly-owned subsidiary of the United Kingdom entity's parent company. That parent entity is listed on the New York Stock Exchange, and there are a large number of underlying customers which make up this trade accounts receivable amount within the Production segment, which are located in a large number of countries.

In relation to the remaining segments, the Company minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers within the specified industries. The customers in the remaining segments are mainly concentrated in Australia. Refer also to Note 30 – Segment reporting.

Concentrations of credit risk on trade accounts receivable arise in the following industries:

| INDUSTRY SEGMENT | MAXIMUM CREDIT RISK EXPOSURE FOR EACH CONCENTRATION | |
|------------------|---|--|
| | PERCENTAGE OF TOTAL TRADE DEBTORS 2004 % | CONSOLIDATED TOTAL BALANCE 2004 \$'000 |
| Exhibition | 9 | 28,652 |
| Theme parks | 4 | 13,448 |
| Radio | 18 | 53,727 |
| Production | 67 | 202,210 |
| Distribution | – | – |
| Other | 2 | 6,008 |
| | 100 | 304,045 |

Credit risk in trade receivables is managed in the following ways:

- payment terms are generally 30 days;
- a risk assessment process is used for customers over \$50,000.

(33) Non-director related party transactions

The following related party transactions occurred during the financial year and were conducted on normal commercial terms and conditions unless otherwise stated:

(a) Immediate Parent Entity

Immediate parent entity is Village Roadshow Corporation Limited which is incorporated in Australia. The ultimate parent entity is Positive Investments Pty. Limited which is incorporated in Australia.

(b) Controlled entities

The company and Austereo Group Limited entered into an intercompany agreement in 2001 for the provision of corporate services that will maintain the relationship between Village Roadshow and Austereo in a manner that is consistent in all material respects with past practices. The results of the economic entity for the period include an amount of \$250,000 (2003: \$250,000) received by the company in respect of this agreement.

During the financial year, Austereo Group Limited recorded sales revenue of \$1,159,000 (2003 \$3,425,000) from the Village Roadshow Ltd. group and a further \$1,645,000 (2003: \$3,307,000) from the Roadshow Distributors Pty. Ltd. group (included in Sales revenue disclosures for associated entities below).

(c) Associated entities

Revenues and expenses

The following transactions with associated entities were included in the determination of the operating profit before tax for the year (material amounts have been separately identified):

| | CONSOLIDATED | |
|--|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 |
| Dividend and trust distribution revenue: | | |
| Sea World Property Trust | 14,205 | 5,826 |
| Tri-Village Developments BV | 7,112 | - |
| Other | 1,701 | 2,106 |
| | 23,018 | 7,932 |
| Interest revenue (refer note 1) | | |
| Warner Village Investments Limited | - | 7,417 |
| Other | 1,043 | 15 |
| | 1,043 | 7,432 |
| Management & service fee revenue | 3,675 | 10,036 |
| Commissions & fee revenue | 30 | 29 |
| Royalty revenue | - | - |
| Sales revenue | 3,317 | 5,511 |
| Borrowing costs paid | 1,174 | 911 |

Note 1 - refer note 32(b) for interest rate risk on loans to associated entities.

Effective 30 June 2004, the Village Roadshow Ltd. economic entity sold its investment in the Roadshow Unit Trust to Roadshow Distributors Pty. Ltd., for a total consideration of \$24.965 million. The consideration was based on a valuation which utilised the same methodology as used in a recent independent valuation of the Roadshow Unit Trust. The Village Roadshow Ltd. economic entity has eliminated the profit on this transaction.

(d) Material Contracts with Executives (other than Specified Executives)

Mr. B. Berman, the Chairman and Chief Executive Officer of the Group's film production activities, is entitled while he works for the Group to a bonus equal to 2.5% (2003: 2.5%) of the Group's adjusted film production profits, capped at a maximum of US\$750,000 per annum, as part of the remuneration for his employment. If Village Roadshow Pictures is floated or sold during the employment of Mr. Berman, he will be entitled to 2.5% of the equity (at no cost) or sales proceeds, respectively.

Notes to the Financial Statements continued

for the year ended 30 June 2004

(34) Employees

The number of full-time equivalents employed as at 30 June 2004 is 1,292 (2003: 1,288).

(35) Borrowing costs

| | CONSOLIDATED | | VILLAGE ROADSHOW LIMITED | |
|---|----------------|----------------|--------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| The amounts of borrowing costs paid or payable which have been recognised during the financial year as part of the carrying amounts of assets are as follows: | | | | |
| Other | - | 96 | - | - |

The interest rate used to determine capitalised borrowing costs was n/a (2003: 5.0%).

(36) Impacts of adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, Village Roadshow Limited must comply with Australian equivalents of International Financial Reporting Standards ("IFRS") as issued by the Australian Accounting Standards Board. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

This financial report has been prepared in accordance with Australian accounting standards and other Australian financial reporting requirements ("Australian GAAP"). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons, Village Roadshow Limited has not quantified the effects of the differences discussed below. Further, no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the Group's financial reports in the future. The potential impacts on the company's financial performance and financial position of the adoption of Australian equivalents of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

Village Roadshow Limited has established a steering committee to manage the transition to IFRS reporting. The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, Village Roadshow Limited has graded impact areas as either high, medium or low and will address each of the areas in order of priority as represented by the gradings. Priority has been given to considering the preparation of an opening balance sheet in accordance with Australian equivalents to IFRS as at 1 July 2004.

The key potential implications of the conversion to Australian equivalents of IFRS on Village Roadshow Limited identified to date are as follows:

Intangible assets

Under the Australian equivalent to IAS 3: Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit or entity. This will result in a change to the current accounting policy, under which goodwill is amortised on a straight-line basis over the period during which the benefits are expected to arise and not exceeding a period of 20 years.

(36) Impacts of adopting Australian equivalents to International Financial Reporting Standards *continued*

Impairment of assets

Tangible assets and intangible assets with finite useful lives

Under the Australian equivalent to IAS 36: Impairment of Assets, an assessment of all assets (both current and non-current, but excluding intangible assets with indefinite useful lives) for impairment triggers will be made annually and impairment testing performed at the individual asset or cash generating unit level as appropriate. The method of recognising impairment losses will differ depending on the classification of the related asset. This differs to the current accounting policy which applies recoverable amount testing to non-current assets only, based on a class of assets assessment. Further, IAS 36 requires that in the determination of value in use, pre-tax cash flows and an asset specific pre-tax discount rate are required to be used. This differs from the current accounting policy which determines recoverable amount by reference to after-tax cash flows and the after-tax weighted average cost of capital.

Intangible assets with indefinite useful lives

Under the Australian equivalent to IAS 36: Impairment of Assets, intangible assets with an indefinite useful life must be tested annually for impairment. Intangible assets with a finite useful life must be tested when indicators of potential impairment are present. In the determination of value in use, pre-tax cash flows and an asset specific pre-tax discount rate are required to be used. This differs from the current accounting policy which determines recoverable amount by reference to after-tax cash flows and the after-tax weighted average cost of capital.

Income tax

Under the Australian equivalent to IAS 12: Income Taxes, deferred tax balances are determined using the 'balance sheet' method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss, and current and deferred taxes cannot be recognised directly in equity.

Derivatives and hedging

Under the Australian equivalent to IAS 39: Financial Instruments: Recognition and Measurement, financial instruments must be recognised in the Statement of Financial Position and all derivatives must be carried at fair value. Further, in order to qualify for hedge accounting, certain strict designation, effectiveness and documentation criteria must be satisfied.

Equity accounting

Under the Australian equivalent to IAS 28: Investments in Associates, an investor's interest in an associate includes the carrying amount of the investment together with any long-term interests that, in substance, form part of the investor's investment in the associate (e.g. long term loans). Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to the other components of the investor's interest in an associate in the reverse order of their priority in liquidation. This may result in a change to the current accounting policy should long term receivables with associates be considered part of the interest in the associate.

Foreign currency translation

Under the Australian equivalent to IAS 21: The Effects of Changes in Foreign Exchange Rates, each entity is required to determine its functional currency and measure its results and financial position in that currency. In addition, an entity must select a presentation currency which may or may not be its functional currency. Any individual entity within the consolidated group whose functional currency differs from the presentation currency must translate assets and liabilities at the closing rate, and profit and loss items at the rate applied at the date of the transaction. Exchange differences are to be recognised as a separate component of equity. Should a foreign entity subsequently be sold, any accumulated translation difference in equity must be recognised in the Statement of Financial Performance. This accounting practice is not permitted under the current Australian accounting standards, which requires any accumulated translation difference to be taken directly to retained earnings rather than being recycled through the profit and loss account.

Directors' Declaration

In accordance with a resolution of the Directors of Village Roadshow Limited, I state that:

In the opinion of the Directors –

(a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Signed



G.W. Burke
Director

Melbourne, 3 September 2004

Independent Audit Report to members of Village Roadshow Limited

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the company and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

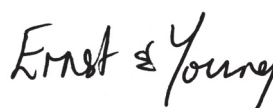
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Village Roadshow Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the financial position of Village Roadshow Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



D R McGregor
Partner

Melbourne
3 September 2004

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ADDITIONAL INFORMATION 2004

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|-----|---|
| 102 | Extract of Results – Film Production Exploitation |
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| 106 | Exhibition Division Information |
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| 110 | Share Register Information and Directory |

Extract of Results: Film Production Exploitation

| | 1 JULY 2003 TO 30 JUNE 2004 | 11 FEBRUARY 2003 TO 30 JUNE 2003 |
|--|--------------------------------|-------------------------------------|
| | A\$'000 | A\$'000 |
| Statement of Financial Performance | | |
| Sales revenue (Note 1) | 1,475,446 | 557,019 |
| Expenses: | | |
| Amortisation of film production costs (Note 2) | (564,108) | (94,056) |
| Other film expenses (Note 3) | (833,732) | (428,555) |
| Borrowing costs | (55,838) | (24,897) |
| Other | (2,825) | (9,511) |
| Net Profit from film exploitation (Note 4) | 18,943 | - |

Note 1:

Sales Revenue consists of film hire revenue from box office attendances in addition to exploitation revenue from video/DVD and television.

Excluded from this analysis are non-studio producer and overhead fees which have been eliminated on consolidation following the acquisition of Village Roadshow Films (BVI) Limited in February 2003.

Note 2:

Film production costs are capitalised in the Statement of Financial Position and amortised in accordance with Accounting Standard 1009: Construction Contracts. The progressive amortisation required is calculated to reflect expected ultimate profits on a pro-rata basis, dependent on the ratio of revenue earned to balance date as a percentage of total revenue expected to be earned over the lifetime of all films comprising the relevant film portfolio. In the event an ultimate loss is projected for all films in the portfolio, an amount equivalent to this loss will be written-off immediately.

Revenue expected to be earned over the lifetime of each film includes theatrical, DVD/video & television streams.

Note 3:

Other film costs include prints and advertising expenses, sub-distribution fees, participations and residuals, studio participations and other direct film costs.

Note 4:

At 30 June 2003, portfolio film exploitation profit derived was marginal as revenues from "The Matrix Reloaded" were minimal at that time. Any projection of future profit in respect of films released to date involves an estimate of income from all exploitation windows, which takes up to 10 years to be fully realised. The above net profit from film exploitation in 2003 excludes specific item expenses of \$20.469 million relating to set up costs for the refinancing of the debt facility

| | 30 JUNE 2004 | 30 JUNE 2003 |
|--|--------------|--------------|
| | A\$'000 | A\$'000 |
| Statement of Financial Position | | |
| <i>Current assets</i> | | |
| Film library | 250,822 | 472,772 |
| Working capital | 226,066 | 136,191 |
| <i>Non-current assets</i> | | |
| Film library | 523,104 | 640,129 |
| Security deposit | 101,802 | 105,607 |
| <i>Current liabilities</i> | | |
| Borrowings | 250,822 | 472,772 |
| Working capital | 82,081 | 174,652 |
| <i>Non-current liabilities</i> | | |
| Borrowings | 564,334 | 539,369 |

| | 1 JULY 2003 TO 30 JUNE 2004 | 11 FEBRUARY 2003 TO 30 JUNE 2003 |
|---|--------------------------------|-------------------------------------|
| | A\$'000 | A\$'000 |
| Statement of Cash Flows | | |
| <i>Net Operating Cash Flows:</i> | | |
| Receipts from customers | 1,454,088 | 422,346 |
| Payments to suppliers and employees (Note 5) | (1,191,073) | (582,773) |
| Payments to suppliers and employees – specific items (Note 6) | - | (20,469) |
| Interest and other costs of finance paid | (55,838) | (24,897) |
| <i>Net Financing Cash Flows:</i> | | |
| Proceeds from borrowings | 677,857 | 375,775 |
| Repayment of borrowings | (837,006) | (171,098) |

Note 5: Includes film acquisition costs of \$272.7 million (2003 \$257.5 million).

Note 6: Specific items relate to set up costs for the refinancing of the debt facility in 2003.

EBITDA Analysis

Reconciliation of segment result and reported EBITDA analysis from continuing operations (excluding specific items)

| | SEGMENT RESULT ¹ | | OPERATING RESULT ¹ | | REPORTED EBITDA ² | |
|---|-----------------------------|----------------|-------------------------------|----------------|------------------------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| Segment result, Operating result & Reported EBITDA² by business | | | | | | |
| Exhibition | 26,964 | 15,796 | 28,061 | 11,981 | 58,424 | 61,397 |
| Theme Parks | 16,319 | 14,133 | 11,527 | 11,531 | 23,992 | 20,784 |
| Radio | 71,058 | 74,554 | 60,356 | 62,776 | 78,935 | 83,081 |
| Production | 76,296 | 50,525 | (815) | 10,987 | 76,910 | 52,705 |
| Distribution | 15,369 | 9,334 | 14,474 | 9,294 | 16,248 | 11,190 |
| Other (includes corporate overheads) | (90,322) | (60,531) | 2,081 | (2,758) | (20,466) | (27,528) |
| Total | 115,684 | 103,811 | 115,684 | 103,811 | 234,043 | 201,629 |
| Calculation of Reported EBITDA | | | | | | |
| Operating profit before specific items and tax | | | | | 115,684 | 103,811 |
| Add: | | | | | | |
| Amortisation of intangibles | | | | | 4,912 | 4,094 |
| Depreciation and amortisation (excluding intangibles) | | | | | 605,034 | 151,325 |
| Film Library and other production amortisation | | | | | (564,108) | (101,279) |
| Interest expense | | | | | 76,070 | 46,533 |
| Tax on unit trust distributions | | | | | 4,772 | 2,380 |
| Tax on partnership profits | | | | | 1,422 | 1,122 |
| Goodwill on equity profits | | | | | 1,797 | 1,679 |
| Less: | | | | | | |
| Interest income | | | | | (11,540) | (15,468) |
| Interest from exhibition partnership/associates | | | | | - | 7,432 |
| Reported EBITDA (before Outside Equity Interests) | | | | | 234,043 | 201,629 |

Exhibition box office and underlying EBITDA² from continuing operations – \$'000

| GEOGRAPHICAL SEGMENT | YEAR ENDED JUNE 2004 | | | YEAR ENDED JUNE 2003 | | |
|----------------------|----------------------|----------------|---------------|----------------------|----------------|---------------|
| | GROSS BOX OFFICE | 100% | VILLAGE SHARE | GROSS BOX OFFICE | 100% | VILLAGE SHARE |
| Australia | 314,790 | 81,083 | 37,344 | 307,127 | 72,959 | 27,144 |
| Asia/New Zealand | 148,308 | 33,959 | 15,086 | 154,909 | 24,937 | 10,041 |
| Europe | 166,350 | 32,086 | 23,628 | 404,027 | 86,930 | 45,252 |
| South America | 17,168 | 6,664 | 3,665 | 13,488 | 4,681 | 2,575 |
| Total | 646,616 | 153,792 | 79,723 | 879,551 | 189,507 | 85,012 |

Note 1: As outlined in the segment reporting note, certain financing and investing transactions are excluded from the definition of 'segment result' under the revised AASB 1005 Segment Reporting. These transactions, which comprise interest income, interest expense, proceeds from sale of assets and the carrying value of assets sold, have been treated as unallocated for 'segment result' purposes, but are included in each segment's 'operating result' above. Operating result includes the items which are excluded from the new segment result definitions, and represents the basis under the previous segment accounting standard. EBITDA has been calculated from each segment's operating result.

Note 2. Underlying EBITDA represents Village Roadshow's equity share of trading in each territory on a grossed-up basis, i.e. ignoring the effect of corporate structuring. Reported EBITDA differs from this because there are a number of partnerships/associates whose contribution to reported EBITDA is Village Roadshow's share of their post-tax profits.

Reconciliation of reported EBITDA to profit before tax by division – continuing operations (excluding specific items) – 2004

| | REPORTED EBITDA | AMORTISATION/ DEPRECIATION | NET INTEREST | TAX INCLUDED IN PRE-TAX PROFIT | OTHER | PROFIT BEFORE TAX |
|--------------------------------------|--------------------|-------------------------------|-----------------|--------------------------------------|---------|-------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Exhibition | 58,424 | (28,259) | (1,506) | (292) | (306) | 28,061 |
| Theme Parks | 23,992 | (3,686) | (3,258) | (5,392) | (129) | 11,527 |
| Radio | 78,935 | (8,060) | (10,519) | - | - | 60,356 |
| Production | 76,910 | (614) | (77,111) | - | - | (815) |
| Distribution | 16,248 | - | - | (510) | (1,264) | 14,474 |
| Other (includes corporate overheads) | (20,466) | (5,219) | 27,864 | - | (98) | 2,081 |
| Total | 234,043 | (45,838) | (64,530) | (6,194) | (1,797) | 115,684 |

Reconciliation of reported and underlying exhibition EBITDA – continuing operations

| | 2004 \$'000 | 2003 \$'000 |
|--|----------------|----------------|
| Underlying EBITDA | 79,723 | 85,012 |
| Less: Depreciation in equity territories | (12,666) | (28,953) |
| Less: Interest in equity territories | (2,530) | (7,113) |
| Less: Tax in equity territories | (286) | (2,686) |
| Other ¹ | (5,817) | 15,137 |
| Reported EBITDA | 58,424 | 61,397 |

¹ Mainly represents profits/losses from associated entities where equity accounting has ceased.

Exhibition Division Information

Ownership information:

| TERRITORY | GROUP OWNERSHIP | PARTNERS | STRUCTURE | MAIN ASSOCIATE AND JOINT VENTURE ENTITIES |
|-------------|---|---|-------------------------|---|
| Australia | Multiplex 50% Arthouse 50% Traditional 50% - 100% | <i>Multiplex</i> - Greater Union 50% <i>Traditional</i> - Greater Union 50% - Other 50% | Joint Venture / Various | Australian Theatres JV Palace Cinemas JV |
| New Zealand | 50% | Sky City Leisure 50% | Joint Venture | Village Sky City Cinemas JV |
| Fiji | 33.3% | Sky City Leisure 33.3% Local 33.3% | Joint Venture | Damodar Village Sky City Cinemas JV |
| Singapore | 50% | Golden Harvest 50% | Associate | Dartina Developments Limited |
| Taiwan | 50% | Warner Bros. 50% | Associate | Warner Village Cinemas Company Limited |
| Italy | 45% | Warner Bros. 45% Local 10% | Associate | Warner Village Cinemas SPA |
| Greece | 100% | | Subsidiary | |
| Czech | 100% | | Subsidiary | |
| UK | 100% | | Subsidiary | |
| Argentina | 55% | Sky City Leisure 25% Local 20% | Associate | Village Cinemas SA |

Operational information:

| TERRITORY | NEW SITES | | TOTAL SITES | | NEW SCREENS | | TOTAL SCREENS | |
|----------------|-----------|------|-------------|------|-------------|-------|---------------|-------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Australia | (2) | (4) | 69 | 71 | (4) | (15) | 569 | 573 |
| New Zealand | - | 1 | 13 | 13 | - | 8 | 84 | 84 |
| Fiji | - | - | 2 | 2 | - | - | 10 | 10 |
| Singapore | - | - | 8 | 8 | - | - | 58 | 58 |
| Taiwan | 1 | 1 | 7 | 6 | 5 | 13 | 78 | 73 |
| Italy | 1 | 2 | 14 | 13 | 7 | 18 | 146 | 139 |
| Greece | - | - | 4 | 4 | - | - | 44 | 44 |
| Czech Republic | - | 1 | 2 | 2 | - | 14 | 22 | 22 |
| UK | (1) | (34) | 5 | 6 | (12) | (349) | 41 | 53 |
| Argentina | - | - | 6 | 6 | - | - | 69 | 69 |
| Total | (1) | (33) | 130 | 131 | (4) | (311) | 1,121 | 1,125 |

Financial information:

| | AUSTRALIA | | ASIA/NEW ZEALAND | | EUROPE | | SOUTH AMERICA | |
|---------------------------------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 | 2004 \$'000 | 2003 \$'000 |
| 100% | | | | | | | | |
| Gross Box Office | 314,790 | 307,127 | 148,308 | 154,909 | 166,350 | 404,027 | 17,168 | 13,488 |
| Operating Revenue | 432,627 | 423,443 | 210,261 | 210,719 | 240,388 | 568,004 | 26,424 | 22,037 |
| Underlying EBITDA | 81,083 | 72,959 | 33,959 | 24,937 | 32,086 | 86,930 | 6,664 | 4,681 |
| Village Roadshow Limited Share | | | | | | | | |
| Underlying EBITDA | 37,344 | 27,144 | 15,086 | 10,041 | 23,628 | 45,252 | 3,665 | 2,575 |
| Underlying Rent Expense | 29,534 | 30,649 | 19,060 | 20,622 | 26,391 | 49,745 | 263 | 289 |
| Operating Lease Commitments | 356,811 | 381,250 | 175,122 | 164,557 | 373,415 | 448,281 | 1,705 | 2,114 |

Ten Year Financial Summary

| | 2004 | 2003 | 2002 |
|---|-----------|-----------|-----------|
| Operating results (\$'000) | | | |
| (from continuing operations only from 2000 onwards) | | | |
| Sales revenue | 2,149,999 | 1,263,686 | 699,784 |
| EBITDA before specific items | 234,042 | 201,629 | 175,535 |
| EBIT before specific items | 188,205 | 147,489 | 123,749 |
| Net interest expense / (credit) | 64,530 | 38,497 | 11,776 |
| Tax expense / (credit) on ordinary earnings | 30,425 | 24,376 | 29,746 |
| Net profit excluding specific items attributable to members | 68,507 | 61,050 | 55,310 |
| Total Dividends declared (ordinary & preference) | - | - | 25,640 |
| Balance sheet (\$'000) | | | |
| Total Shareholders' equity | 948,718 | 1,077,993 | 1,201,609 |
| Net borrowings | 924,127 | 1,064,650 | 20,156 |
| Funds employed | 1,886,306 | 2,168,241 | 1,247,408 |
| Total assets | 2,463,278 | 2,904,651 | 2,191,357 |
| Other major items (\$'000) | | | |
| Capital expenditure | 57,429 | 106,643 | 139,889 |
| Depreciation & amortisation excluding production amortisation | 45,837 | 54,140 | 51,786 |
| Ratios | | | |
| Return on average total shareholders' equity (%) | 8.41 | 6.97 | 6.31 |
| EBIT/average funds employed (%) | 9.28 | 8.64 | 9.82 |
| Net borrowings/total shareholders' equity (%) | 97.41 | 98.76 | 1.68 |
| Interest cover (times) | 2.47 | 3.17 | 4.86 |
| Per share calculations | | | |
| Total EPS pre-specific items and discontinuing operations (cents per share) | 15.00 | 12.55 | 11.47 |
| Total EPS including specific items and discontinuing operations (cents per share) | 11.44 | (5.35) | 10.60 |
| Dividends – ordinary shares (cents per share) | - | - | - |
| Dividends – preference shares (cents per share) | - | - | 10.175 |
| Net tangible assets (\$ per share) | 2.18 | 1.81 | 2.07 |
| Other | | | |
| Accumulation index* – Ordinary shares (index base 1,000 as at June 1995) | 569.8 | 383.0 | 379.9 |

*Represents value of \$1,000 invested in June 1995 with all dividends reinvested

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|-----------|-----------|-----------|-----------|-----------|-----------|---------|
| 662,038 | 565,944 | 617,256 | 441,664 | 392,570 | 297,119 | 246,615 |
| 165,215 | 184,941 | 161,145 | 139,791 | 112,267 | 94,606 | 64,987 |
| 123,796 | 125,402 | 111,504 | 109,662 | 81,276 | 73,251 | 52,242 |
| 29,246 | 26,947 | 25,010 | 23,981 | 909 | 1,938 | (1,101) |
| 23,110 | 10,751 | 10,493 | 12,697 | 8,293 | 6,610 | 10,399 |
| 59,790 | 82,145 | 75,418 | 68,126 | 58,030 | 47,489 | 38,000 |
| 41,379 | 40,634 | 51,068 | 48,499 | 44,404 | 30,452 | 24,242 |
| 1,225,274 | 1,029,254 | 1,017,225 | 938,188 | 830,202 | 754,999 | 479,590 |
| 14,893 | 432,959 | 388,839 | 270,293 | 344,214 | (106,159) | 18,751 |
| 1,274,140 | 1,497,870 | 1,515,883 | 1,368,574 | 1,174,416 | 648,840 | 498,341 |
| 2,116,218 | 1,968,549 | 1,954,429 | 1,792,681 | 1,482,496 | 1,126,436 | 775,851 |
| 179,126 | 211,214 | 211,851 | 107,382 | 310,438 | 161,075 | 95,717 |
| 41,419 | 59,539 | 49,641 | 30,129 | 30,991 | 21,355 | 12,745 |
| 5.78 | 7.81 | 7.17 | 7.70 | 9.09 | 10.48 | 12.67 |
| 8.93 | 8.32 | 7.73 | 8.62 | 8.92 | 12.77 | 13.40 |
| 1.22 | 42.07 | 38.23 | 28.81 | 41.46 | (14.06) | 3.91 |
| 3.07 | 3.57 | 3.13 | 3.40 | 6.09 | 6.01 | 4.29 |
| 12.64 | 17.99 | 17.33 | 16.24 | 15.18 | 14.10 | 14.66 |
| 11.64 | 16.54 | 6.24 | 16.70 | 15.74 | 14.10 | 14.66 |
| 7.175 | 7.175 | 10.00 | 10.00 | 9.50 | 8.50 | 7.00 |
| 10.175 | 10.175 | 13.00 | 13.00 | 12.50 | 11.50 | 10.175 |
| 2.19 | 2.09 | 2.00 | 2.13 | 1.97 | 1.73 | 1.34 |
| 483.8 | 664.2 | 738.0 | 790.3 | 1,274.6 | 1,502.4 | 1,000.0 |

Share Register Information and Directory

The following information is given to meet the requirements of the Listing Rules of the Australian Stock Exchange Limited.

Substantial shareholders

Notices of substantial shareholdings received and the number of ordinary shares held as at 21 September 2004

| NAME OF SUBSTANTIAL SHAREHOLDER | ORDINARY SHARES | % |
|--------------------------------------|-----------------|-------|
| Village Roadshow Corporation Limited | 118,619,515 | 55.27 |
| Granada Danmark A/S | 30,164,109 | 14.27 |

Distribution of security holders as at 21 September 2004

| CATEGORY OF HOLDING | NUMBER OF HOLDINGS | % | NUMBER OF SHARES | % |
|--|--------------------|--------|------------------|--------|
| Ordinary shares | | | | |
| 1 – 1,000 | 3,143 | 48.93 | 1,966,961 | 0.93 |
| 1,001 – 5,000 | 2,606 | 40.51 | 6,556,886 | 3.10 |
| 5,001 – 10,000 | 425 | 6.62 | 3,213,959 | 1.52 |
| 10,001 – 100,000 | 215 | 3.35 | 5,287,635 | 2.50 |
| 100,001 and over | 34 | 0.53 | 194,387,666 | 91.95 |
| Total | 6,423 | 100.00 | 211,413,107 | 100.00 |
| Number of holdings less than a marketable parcel | 438 | | 54,124 | |
| A Class Preference Shares | | | | |
| 1 – 1,000 | 2,224 | 64.31 | 678,569 | 0.62 |
| 1,001 – 5,000 | 794 | 22.96 | 1,983,767 | 1.80 |
| 5,001 – 10,000 | 183 | 5.29 | 1,470,182 | 1.33 |
| 10,001 – 100,000 | 198 | 5.73 | 6,322,706 | 5.74 |
| 100,001 and over | 59 | 1.71 | 99,673,809 | 90.51 |
| Total | 3,458 | 100.00 | 110,129,033 | 100.00 |
| Number of holdings less than a marketable parcel | 1,398 | | 145,207 | |

Voting rights on Ordinary shares

On a show of hands – one vote per every member present in person or by proxy. On a poll – one vote for every share held.

Voting rights on A Class Preference shares

On a show of hands – one vote for every member present in person or by proxy.

On a poll – one vote for every share held.

A preference share shall confer no right to vote at any general meeting except in one or more of the following circumstances:

- on a proposal that affects rights attaching to the preference share;
- during a period which any dividend payable on the preference share is more than 6 months in arrears;
- on a proposal to reduce the share capital of the Company;
- on a proposal to wind up the Company;
- on a proposal for the sale of the Company's undertaking.



20 Largest security holders as at 21 September 2004

Ordinary Shares

| NAME OF HOLDER | SHARES | % | RANK |
|---|--------------------|--------------|------|
| Village Roadshow Corporation Limited | 110,819,817 | 52.42 | 1 |
| Granada Danmark A/S | 30,364,109 | 14.36 | 2 |
| Westpac Custodian Nominees Limited | 11,872,903 | 5.62 | 3 |
| J P Morgan Nominees Australia Limited | 7,052,544 | 3.34 | 4 |
| Canberra Theatres Limited | 6,544,167 | 3.10 | 5 |
| National Nominees Limited | 5,830,560 | 2.76 | 6 |
| ANZ Nominees Limited | 5,465,175 | 2.59 | 7 |
| Pan Australian Nominees Pty Limited | 4,526,137 | 2.14 | 8 |
| Citicorp Nominees Pty Limited | 4,181,252 | 1.98 | 9 |
| Willow Grange Pty Ltd | 1,370,000 | 0.65 | 10 |
| Warbont Nominees Pty Ltd | 575,577 | 0.27 | 11 |
| AMP Life Limited | 560,725 | 0.27 | 12 |
| Palace Investment Holdings Pty Ltd | 550,000 | 0.26 | 13 |
| Mr Gregory Coote | 476,500 | 0.23 | 14 |
| Cynosura Investments Pty Ltd | 473,231 | 0.22 | 15 |
| HSBC Custody Nominees (Australia) Limited | 446,012 | 0.21 | 16 |
| Elise Nominees Pty Limited | 422,630 | 0.20 | 17 |
| Janway Limited | 280,000 | 0.13 | 18 |
| Citicorp Nominees Pty Limited CFSIL CWLTH SML COS 3 A/C | 258,626 | 0.12 | 19 |
| Braidswood Pty Ltd | 257,400 | 0.12 | 20 |
| Total | 192,327,365 | 90.99 | |

A Class Preference Shares

| NAME OF HOLDER | SHARES | % | RANK |
|--|-------------------|--------------|------|
| ANZ Nominees Limited | 43,454,313 | 39.46 | 1 |
| ANZ Nominees Limited | 13,400,000 | 12.17 | 2 |
| Westpac Custodian Nominees Limited | 11,098,162 | 10.08 | 3 |
| Mrs Shamala Sanchana Sethu | 6,000,000 | 5.45 | 4 |
| Redsummer Pty Ltd | 2,169,751 | 1.97 | 5 |
| Australian United Investment Company Limited | 2,000,000 | 1.82 | 6 |
| J P Morgan Nominees Australia Limited | 1,764,609 | 1.60 | 7 |
| Redsummer Pty Ltd | 1,700,000 | 1.54 | 8 |
| Diversified United Investment Limited | 1,500,000 | 1.36 | 9 |
| CSFB Fourth Nominees Pty Ltd | 1,430,842 | 1.30 | 10 |
| Clevedon Proprietary Limited | 1,133,889 | 1.03 | 11 |
| Warbont Nominees Pty Ltd | 975,287 | 0.89 | 12 |
| National Nominees Limited | 907,942 | 0.82 | 13 |
| AMP Life Limited | 896,561 | 0.81 | 14 |
| Citicorp Nominees Pty Limited | 878,295 | 0.80 | 15 |
| Mr Greg Bassier & Onbass Pty Ltd | 533,334 | 0.48 | 16 |
| UBS Nominees Pty Ltd Prime Broking A/C | 520,397 | 0.47 | 17 |
| The Ian Potter Foundation Ltd | 500,000 | 0.45 | 18 |
| Mr Brad March | 500,000 | 0.45 | 19 |
| Beta Gamma Pty Ltd | 436,685 | 0.40 | 20 |
| Total | 91,800,067 | 83.35 | |

Share Register Information and Directory continued

Contact information

PRINCIPAL ADMINISTRATIVE OFFICE

Village Roadshow Limited
206 Bourke Street
Melbourne Vic 3000
Australia
Ph: 03 9667 6666
Fax: 03 9663 1972

REGISTERED OFFICE

Warner Roadshow Movie World Studios
Pacific Motorway
Oxenford Qld 4210
Australia
Ph: 07 5585 9666
Fax: 07 5573 3698

HOME EXCHANGE

Australian Stock Exchange Limited
Riverside Centre
123 Eagle Street
Brisbane Qld 4000
Australia
Ph: 1300 300 279
Fax: 1300 300 021

Divisional offices

CINEMA EXHIBITION

Village Cinemas International
Level 1, 1 Garden Street
South Yarra Vic 3141
Australia
Ph: 03 9281 1000
Fax: 03 9251 5360

THEME PARKS

Warner Village Theme Parks
Pacific Motorway
Oxenford Qld 4210
Australia
Ph: 07 5573 3999
Fax: 07 5573 3698

RADIO

Austereo Group Limited
180 St Kilda Road
St Kilda Vic 3182
Australia
Ph: 03 9230 1051
Fax: 03 9534 8011

FILM DISTRIBUTION

Roadshow Films
Level 1
500 Chapel Street
South Yarra Vic 3141
Australia
Ph: 03 9829 0666

FILM PRODUCTION

Village Roadshow Pictures
Sony Plaza
3400 Riverside Drive
Suite 900
Burbank CA 91505
United States
Ph 818 260 6000
Fax: 818 260 6001

Investor inquiries

To ensure shareholders and other interested parties can keep up to date on the Company, Village Roadshow Limited has a corporate website. The site contains information on the Company including business unit profiles, press releases, result announcements and details of shareholder benefits. The site can be accessed at www.villageroadshow.com.au.

Please contact the Company's share registry for all inquiries on your Village Roadshow shareholding, such as

- confirmation of shareholding details; and
- change of address advice.

Share register

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Company secretaries

Philip S. Leggo
Shaun L. Driscoll



Village Roadshow Limited

