



START



PREVIOUS

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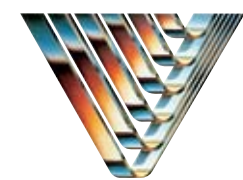


END



THE NEW VILLAGE ROADSHOW

Annual Report 2007



VILLAGE ROADSHOW LIMITED

... A company of entertainment and media businesses

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

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

Theme Parks	Film Production	Film Distribution	Cinema Exhibition	Radio
<p>Village Roadshow Theme Parks is Australia's largest theme park owner and operator and the leading tourist attraction provider on Queensland's Gold Coast, owning 100 percent of:</p> <ul style="list-style-type: none"> the entertainment event park Warner Bros. Movie World Australia's world class marine park, Sea World, and Sea World Resort, the Gold Coast's Number One resort Wet 'n' Wild Water World, one of the world's largest and most successful water parks the outstandingly successful Australian Outback Spectacular as well as Paradise Country and Warner Roadshow Studios. 	<p>Village Roadshow has been involved in the movie business since the 1960's. Village Roadshow Pictures is the leading independent Hollywood movie producer having won 8 Academy Awards and 3 Golden Globe Awards for films including <i>Training Day</i>, <i>Mystic River</i> and <i>Happy Feet</i>. Jointly owned with other leading investors in the entertainment industry, Village Roadshow Pictures has produced 56 films in the past 9 years with global box office takings of over US\$7.7 billion including blockbuster hits such as:</p> <ul style="list-style-type: none"> <i>The Matrix</i> trilogy the <i>Ocean's</i> trilogy <i>Charlie and the Chocolate Factory</i> and most recently, <i>Happy Feet</i>. <p>The Company has announced growth plans in the music industry.</p>	<p>Originally started by Village Roadshow in the late 1960's, Roadshow Films has grown into Australasia's largest independent film distributor in the market place – distributing films to all cinemas nationally as well as to major retailers with DVD. The Company has recently moved to 100 percent ownership of this core business that is a major force in film distribution in all mediums in Australia. Roadshow enjoys long standing distribution agreements and relationships with key film suppliers, such as Warner Bros (since 1971), New Line, ABC, BBC, The Weinstein Company and the Company's own Village Roadshow Pictures. The Company also has film distribution operations in the key markets of Singapore and Greece.</p>	<p>Showing movies has a long tradition with Village Roadshow having started in 1954 with the first of its drive-in cinemas. Today Village Cinemas jointly owns and operates 533 screens across 53 sites in Australia, with a further 167 screens at 18 sites in Singapore, Greece and the Czech Republic – over 38 million customers annually worldwide. The Company is leading the world with the emerging growth category of premium cinemas and the Company is now in the advanced planning stages of expanding its premium luxury cinema concept, Gold Class, into the United States market.</p>	<p>Village Roadshow started Australia's first FM radio station, 2Day FM, back in 1979. Now, through a majority shareholding in the Australian listed Austereo Group Limited, the Company owns and operates Australia's leading FM radio networks, Today FM and Triple M. With two radio stations in each key mainland capital city and a strong line-up of stars driving continued rating success, over 4 out of 10 Australians in the total 10+ commercial FM radio audience listen to an Austereo branded station each week*.</p> <p><small>* Source: Nielsen Media Research – survey 4, 2007</small></p>

Contents

Corporate Review

To our shareholders



JOHN R KIRBY
Chairman



ROBERT G KIRBY
Deputy Chairman



GRAHAM W BURKE
Managing Director

We are very happy to report that your Company, Village Roadshow Limited, has emerged from 2006 much stronger financially and a more focused enterprise with an increased emphasis on corporate governance.

This turn around in the group's fortunes can be seen from our reported net profit after tax of \$45.1 million for the year ended 30 June 2007, compared to a \$40.7 million loss last year. This was the result of a significant uplift in earnings before interest, tax, depreciation and amortisation ('EBITDA') of \$224.8 million, 35 percent up on the prior year level of \$165.9 million.

Having undertaken the restructuring of the past several years, the *New Village Roadshow* has healthy cash flows and a strong balance sheet enabling the Company to take advantage of any opportunities that arise to grow our core businesses in the future.

Our forward strategy is focused on our five core businesses: Theme Parks, Film and Music Production, Film Distribution, Cinema Exhibition, and, through our 51.65 percent interest in Austereo, in FM Radio. The common feature of the majority of these businesses is that we now have management control or ownership of them, which we see as an essential underpinning for creating further value for shareholders.

The reshaping of the *New Village Roadshow* has included:

- completing the move to full ownership in July 2006 of all of the Gold Coast theme park businesses: Warner Bros. Movie World including Warner Roadshow Studios, Sea World, Wet 'n' Wild Water World, Australian Outback Spectacular and Paradise Country and subsequently acquiring the balance of the Sea World Resort, whilst at the same time retaining our strong relationship with Warner Bros.;
- moving to 100 percent ownership of our Australasian film distribution business, Roadshow Films, in August 2007;
- finalising the rationalisation of the group's international cinema exhibition operations with the sale of our New Zealand, Fiji and Italian cinema circuits, exiting from our two Austrian cinemas and disposing of our interest in the Palace cinema circuit in Australia;

- announcing a merger with Concord Music diversifying the cash flow in the movie production business Village Roadshow Pictures Group; and

- strengthening our Board with the addition of two new independent directors, David Evans and Robert Le Tet.

From an operations perspective, our core businesses continued to benefit from a concentrated focus on improving sales margins, exercising cost restraint and managing underlying operational cash flows. As a result we can report to shareholders that the Company is well placed to experience continued growth in each of its existing businesses as well as to explore further new opportunities, such as Gold Class cinemas in the USA and potential theme park opportunities, thus delivering further benefits to shareholders.

The year's results: underlying earnings per share doubled

In addition to the net profit after tax and EBITDA results stated above, basic earnings per share were 30.12 cents for the year to 30 June 2007 compared with negative 25.45 cents for the prior year. Importantly, after eliminating discontinued operations and material (non-recurring) items of income and expense, total earnings per share more than doubled to 14.32 cents compared to 6.53 cents last year.

As a result of the business re-engineering mentioned above, supported by resilient cash flows from continuing operations and a strong balance sheet, the *New Village Roadshow* has been able to reward loyal shareholders with a fully franked special dividend of \$92.4 million (34 cents per ordinary share and 37 cents per preference share paid in December 2006) and a non-taxable capital return of \$39.3 million (15 cents per ordinary and preference share paid in January 2007).

During the year the Company furthered its capital management program with an on-market buy-back of ordinary and preference shares totalling \$59.3 million. In aggregate, these capital management initiatives totalled \$191 million during the year to 30 June 2007.

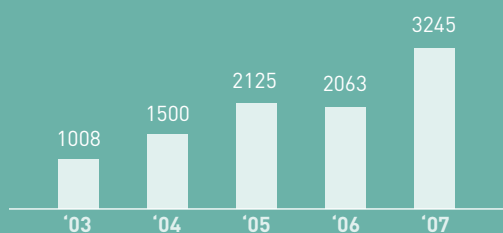


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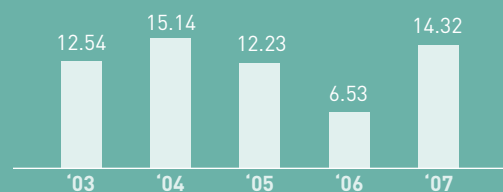
FINANCIAL SUMMARY \$M (unless otherwise stated)	2007	2006	% Change
Reported EBITDA excluding material items and discontinued operations	224.8	165.9	35.50
Attributed profit (loss) after tax	45.1	(40.7)	n/a
Attributed profit after tax, before material items and discontinued operations	37.2	17.6	111.36
Net material items and discontinued operations after tax	7.9	(58.3)	n/a
Total parent interest in equity	469.9	488.2	(3.75)
Total earnings per share before material items and discontinued operations (total shares) (cents)	14.32	6.53	119.30
Return on average equity (%)	9.75	5.25	85.71
Net tangible assets per share (\$) (includes radio licences and film library)	1.01	1.68	(39.88)



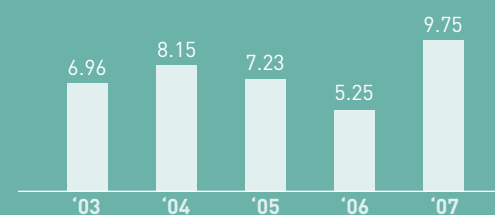
TOTAL SHAREHOLDER RETURN – BASED ON INVESTING \$1,000 ON 1 JULY 2002 (\$)



EBIT/AVERAGE FUNDS EMPLOYED (%)



TOTAL EARNINGS PER SHARE EXCLUDING MATERIAL ITEMS AND DISCONTINUED OPERATIONS (CENTS PER SHARE)



RETURN ON AVERAGE TOTAL SHAREHOLDERS' EQUITY (%)

A. Swim with the dolphins at Sea World.

B. Village Cinemas Gold Class is the ultimate luxury cinema experience

EBITDA was
35 percent up
on the prior year

underlying
earnings per share
more than doubled
compared to
last year

In addition, the Company has announced a 2008 interim fully franked dividend of \$25.6 million to be paid in December 2007 (9 cents per ordinary share and 12 cents per preference share).

A summary of the key financial information for the year appears in the table opposite and demonstrates the ongoing turn around in the performance of the Company and the confidence of your Board in the *New Village Roadshow*.

Strategy – delivering the vision

While all of our businesses have distinct industry specific characteristics and strong individual consumer brands, they all enjoy the same VRL 'blood line' – often a low cost entry base which is then driven by imagination, energy, smart strategies and the ability to discover and unleash high potential growth sectors.

Each business has been built over time into market leadership in its own sector. Part of the Company's strategy is to maximise the cross-exploitation opportunities between the brands to extract incremental synergies and increased earnings.

This divisional 'genetic heritage' draws on VRL's entrepreneurial culture backed by more than 50 years of experience in the entertainment sector of which 18 have been as a publicly listed company.

Whereas during the building phase of these divisional businesses VRL may have assisted with parental support and guarantees, each division in the *New Village Roadshow* enjoys strong underlying cash flows in their own right and now have their own external financing arrangements secured against divisional assets and without recourse to other divisions within VRL or, with limited exceptions, to the corporate parent.

Strong trading performances across all divisions

Almost all of our businesses except film production have had a successful year, in particular:

- total theme park attendance and earnings increased following the implementation of several innovative marketing campaigns and tight management of costs – driven by new attractions such as *Superman – The Ride* and *Batwing* at Warner Bros. Movie World, the new dolphin show *Imagine* at Sea World and *H2O Zone* and *Tornado* at Wet 'n' Wild Water World, plus the continuing success of Australian Outback Spectacular. There is no substitute for the thrill of live attractions and rides;
- our outstanding movie *Happy Feet* won an Academy Award, has grossed almost US\$400 million at the box office globally and is enjoying strong retail DVD sales;
- our theatrical film distribution division performed very well again with a leading 21 percent Australian market share and Roadshow Entertainment continued to lead the DVD distribution market;
- the revamped cinema exhibition business recorded strong box office performances in Australia and Singapore – assisted by the success of the Gold Class and **max** concepts – driven by a suite of blockbuster film product such as *Happy Feet*, *A Night at the Museum*, *300*, *Spiderman 3*, *Ocean's 13*, *Shrek the Third*,

Pirates of the Caribbean – At World's End and *Fantastic Four – the Rise of the Silver Surfer*; and

- Austereo consolidated its lead in listenership across Australia with just under 40 percent (or over 4.3 million people) of the 10+ commercial FM radio audience* listening to an Austereo branded station each week, holding number one FM stations in Sydney, Melbourne and Perth, number two in Brisbane and number three in Adelaide.

* Nielsen Radio Research, Capital Cities, Survey 4, 19 June 2007

Investments in new and existing businesses

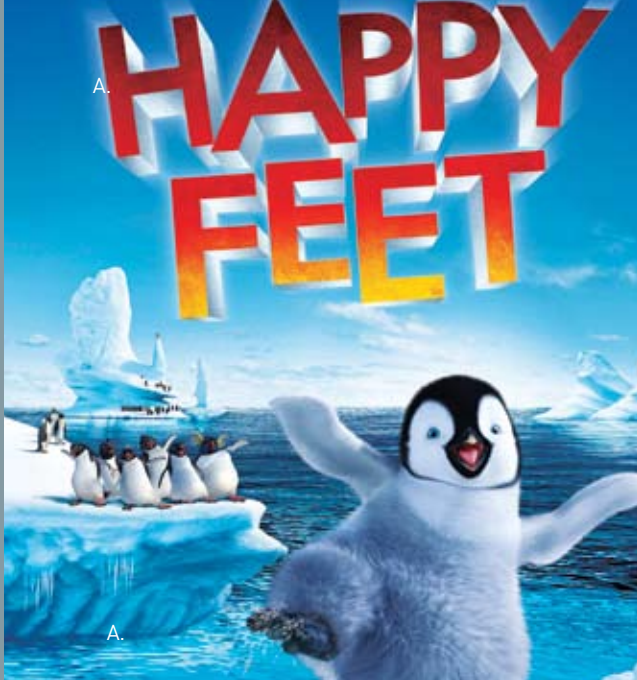
In addition during the year, the Company also continued the business growth momentum of prior years with investments in new and existing businesses such as:

- Gold Class expansion in its Australian cinema circuit as well as forming a joint venture to develop Village Roadshow Gold Class cinemas in USA;
- transitioning the Company's cinemas in Greece from their original old style to the new 'Village World' concept including **max**, Gold Class and other complementary revenue streams such as cafes and bowling;
- launching in the USA the Village Roadshow Music Group to develop and exploit new opportunities in music publishing and soundtracks for feature films produced by the Company's film production division;
- the strategic decision in August 2007 to close the second portfolio of films in Village Roadshow Pictures Group resulting in the booking of film exploitation losses of \$45 million for the Film Production division, with a new slate of films commencing in Portfolio 3;
- in addition to building extra capacity and new attractions at our Gold Coast theme parks, we are exploring new theme park opportunities both in Australia and overseas;
- preparing to exploit Video On Demand and Electronic Sell Through distribution platforms for movies; and
- increasing our involvement with online streaming of Austereo' radio broadcasts, developing online sites and iPod downloads and planning for the launch of digital radio in Australia in January 2009.

Post year end developments

The relentless focus in shaping the *New Village Roadshow* continued after the close of the financial year with announcements to:

- acquire the other 50 percent of the Company's film distribution arm, Roadshow Films, in August 2007, consolidating our interest in a business which has achieved strong and consistent growth, commanding leadership of the theatrical and DVD distribution markets;
- merge the Company's film production division with Concord Music Group to form a new Los Angeles based diversified entertainment group, Village Roadshow Entertainment Group, in which the Company will hold 39.9 percent of the merged film and music businesses.



There is a strong strategic fit between the two businesses, coupling a broad film library with a vast catalogue of master recordings and music publishing rights. It is anticipated that this transaction, which will result in the deconsolidation of the film production division from the accounts of the VRL group, will generate a one-off accounting profit after tax of between \$190-\$210 million; and

- make a cash takeover offer for Sydney Attractions Group Limited, the Australian Securities Exchange listed owner of Sydney Aquarium and other Sydney based attractions.

Continuing momentum in divisional performance

Theme Parks

The Company is the largest theme park operator in Australia and in 2007 the theme parks enjoyed their most profitable year, delivering an EBITDA of \$82.8 million against last year's comparable EBITDA result of \$54.6 million. The three main theme parks, Warner Bros. Movie World, Sea World, and Wet 'n' Wild Water World, continued to gain momentum collectively enjoying annual attendances of over 3.7 million. In particular Wet 'n' Wild Water World attracted over one million attendances for the first time, making it one of the world's top water parks.

Australian Outback Spectacular continued to trade above expectations since opening in April 2006 with occupancy running at over 95 percent of capacity and Sea World Resort improved its average room rate and occupancy rate over last year. The Resort and all parks benefited from increased synergies and improved joint marketing campaigns.

Film Production

The Company's Academy Award winning film for Best Animated Feature, *Happy Feet*, has grossed almost US\$400 million at the box office and is Australia's biggest selling DVD, with 437,000 copies sold in the first nine weeks of release. However, other than *Ocean's 13*, the division has had a run of very disappointing recent film releases.

Portfolio 1, including the *Matrix* trilogy, has unbooked profits of approximately \$25 million on a discounted cash flow basis but Portfolio 2,

which was closed out after 10 films, together with adjustments to the co-production arrangements with Warner Bros., crystallised a \$45 million loss in the 2007 results. Portfolio 3 shows great promise however with Jodie Foster in *The Brave One*, Will Smith in *I Am Legend*, *Speed Racer* by the Wachowski Brothers (of *Matrix* fame) and Steve Carell in *Get Smart*.

Film Distribution

The Company's film distribution operations delivered a satisfactory result, only slightly down on the prior year's record. Roadshow is the largest independent film distributor in Australia, with long term distribution agreements and relationships with Warner Bros. Pictures, Village Roadshow Pictures, New Line, ABC, BBC and The Weinstein Company.

Roadshow Entertainment is Australia's leading DVD distributor, performing exceptionally well during the year due to a continuing focus on cost reduction and improved margins and Roadshow Television was similarly impressive.

Cinema Exhibition

A strong line up of blockbuster film product in the second half together with further site rationalisation and close cost controls delivered a 37 percent increase in EBITDA from the cinema exhibition division, up from \$28 million last year to \$38.4 million in the current financial year. The more focused Australian cinema circuit reported a strong 19 percent improvement in EBITDA.

During the year the successful exits of our non-core international cinema territories in Italy, New Zealand, Fiji and Austria were finalised, and a cinema refurbishment program in Greece is underway.

With a continued emphasis on our core competencies, the Company and its partners have progressed to sign 12 sites in selected key USA markets to construct Village Roadshow Gold Class cinemas. The Company considers its experience and first mover advantage in the carefully selected lifestyle centres will be successful, with the first site scheduled to open in mid 2008.

the Company is the largest theme park operator in Australia and in 2007 the theme parks enjoyed their most profitable year



C.

A. Village Roadshow Pictures' *Happy Feet* won the Academy Award for best animated feature and achieved the status of the biggest selling Australian DVD on record

B. Custom luxury reclining seats with valet service at Village Cinemas Gold Class

C. Austereo's Kyle and Jackie O on Today FM Network

FM Radio

Austereo's increase in profitability was delivered from continued high ratings across every under 54 age group audience demographic, holding number one FM stations in Sydney, Melbourne and Perth, number two in Brisbane and number three in Adelaide.

Importantly sales growth of 6.6 percent was achieved against capital city radio advertising market growth of 3.4 percent. Combined with tightly managed cost control, Austereo delivered a healthy 13.3 percent increase in EBITDA for the year, up from \$77.7 million last year to \$88 million. A corresponding increase in profitability for the year together with a 10 percent on-market buyback of its shares resulted in a 17.2 percent increase in earnings per share for the Australian Securities Exchange listed Austereo Group Limited.

The Company partially sold down its investment in Austereo during the year to its current position of 51.65 percent.

Governance developments during the year

The Company has continued to introduce new corporate governance initiatives in the current year.

A further goal we set ourselves was to have a majority of independent non-executive directors on the Board of VRL. To this end we appointed David Evans and Robert Le Tet in January and April 2007 respectively – David brings considerable business and media experience and Robert brings to VRL significant experience in broadcasting, films and entertainment. With the promotion of Peter Foo, resigning as our capable Finance Director, to be appointed to the new role of Group Chief Operating Officer, this objective of a majority of independent directors on the VRL Board has been realised.

This Board renewal has also enabled an equitable reallocation of committee responsibilities amongst directors which took effect from July this year, further strengthening our internal governance arrangements.

More robust corporate structure

Over the past several years significant progress has been made in simplifying the Company's complex structure to better disclose our operating results in a more transparent way.

In addition to exiting underperforming investments, particularly our international cinema exhibition joint ventures, we have moved to increase our ownership position where the business fundamentals suggest this is justified, such as with theme parks and film distribution. The corollary of this action is that we have reduced the number of complex partnerships and cemented management control or ownership of most of our operations.

Scaling back our international cinema joint ventures has also removed from our books the onerous and substantial lease obligations for these cinema sites. Furthermore, we have also systematically dealt with most major outstanding contingent liability issues.

The Company's divisions now have strong underlying cash flows and stand alone external financing arrangements in place which reduce interdependencies. The effect of these strategic measures is that the *New Village Roadshow* has a more robust corporate structure and solid business growth platform.

Outlook

The restructuring over the last several years and the comprehensive way we have addressed the problems of the past means your Company, the *New Village Roadshow*, is well positioned for the future. Our existing group of businesses have strong positions in traditional entertainment markets as well as emerging digital channels. They are performing well with good prospects for further wealth creation for our shareholders, as do the business initiatives outlined above.

We thank the loyal and committed team of the *New Village Roadshow* for their outstanding efforts and we thank you, our shareholders, for your support throughout the year.

JOHN R KIRBY
Chairman

ROBERT G KIRBY
Deputy Chairman

GRAHAM W BURKE
Managing Director

the *New Village Roadshow* is well positioned for the future

THEME PARKS

our theme parks this year collectively enjoyed attendances in excess of 4.2 million guests

Village Roadshow is Australia's largest theme park owner operator. This division has the best and most recognisable brands on Queensland's Gold Coast:

- Warner Bros. Movie World, one of Australia's leading tourist attractions based on Warner Bros. successful movies and movie characters;
- Australia's premier marine park, Sea World;
- one of the world's largest and most successful water parks, Wet 'n' Wild Water World;
- the outstandingly successful Australian Outback Spectacular;
- the Aussie farm tour experience, Paradise Country;
- the 405 room 4½ star hotel, Sea World Resort adjacent to the Sea World theme park; and
- Warner Roadshow Studios, located next to the Warner Bros. Movie World theme park.

Village Roadshow moved to full ownership of the theme park businesses in July 2006 and full ownership of Sea World Resort in September 2006.

Total theme park attendances increased following the implementation of several innovative marketing campaigns. Our theme parks this year collectively enjoyed attendances in excess of 4.2 million guests – an extraordinary performance given Australia's population size – with Wet 'n' Wild Water World contributing over one million of these admissions, a first for a water park in this country.

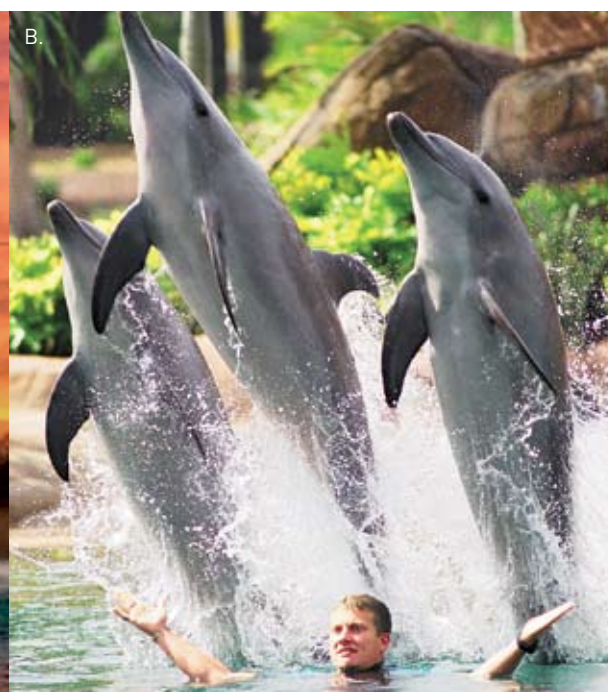
The current year was also our most profitable since the inception of our theme park division with an EBITDA performance of \$82.8 million against last year's of \$17.8 million or, allowing for ownership changes, a comparable EBITDA result of \$54.6 million – a better than 50 percent increase. This result has been driven by increased attendances, better margins through micro-management of cost controls, outstanding marketing campaigns, expanded synergies and cross promotional opportunities.

Warner Bros. Movie World increased its annual attendances by 5.8 percent to over 1.3 million compared to the prior year following the introduction of *Superman – The Ride*, and the *Batwing* attraction. Recently opened attractions include *Funzone* and *WB Kids*, a revamped kids area and rides, with a new car stunt show next year.

Attendances at Sea World increased by 6.9 percent to over 1.3 million compared to last year. The new dolphin show *Imagine* and the *Sea World Eye* opened during the year and live shows, *Sesame Street Beach* and seal show *Fish Detectives*, have opened since year end, with a new major attraction planned for 2008.

Wet 'n' Wild Water World has been one of Village Roadshow's most successful theme parks with consistent growth in attendances. The past year has been no exception, with an 18.8 percent increase over the prior year to over one million attendances. This achievement was even more remarkable as a new competitive water park opened on the Gold Coast in December 2006. Last year's 33 percent increase in capacity, the attractions opened this year, *H2O Zone* and the amazing *Tornado*, plus Australia's first 'wet rollercoaster', the new *Surf-rider* attraction which has just opened this September – have cemented Wet 'n' Wild Water World as one of the world's most successful water parks.

Australian Outback Spectacular has continued its hugely successful results since opening in April 2006. The one thousand seat stadium continues to trade strongly, averaging occupancy of 95 percent capacity since Day One.



Paradise Country is primarily targeted at international tourists although local and domestic visitor groups are also now being introduced to the authentic Aussie farm experience. Attendances increased 7 percent over the previous year. The attraction remains an important avenue to attract foreign tour group package business to our other parks and the growth in domestic visitation will continue the success of this product.

Connected by monorail to the Sea World theme park, Sea World Resort significantly improved its average room rates, up 10.6 percent from the prior year and increased its occupancy rates by 2.8 percent compared to last year. The resort is undergoing major refurbishment with all rooms and the lobby recently upgraded and refurbishment of the main restaurant and the pool area planned for 2008, thus ensuring the resort remains one of the premier and most popular hotels on the Gold Coast.

Warner Roadshow Studios hosted a number of feature films with major international productions such as *Fools Gold* and *Nims Island* coupled with a number of smaller movies and television shows during the year. The Studios also constructed Australia's largest purpose built outdoor filming tank with a surface area of 1200 m² which has already been used in two productions, further enhancing the reputation of the Studios as one of the mainstays of the Australian film industry.

In addition to the Gold Coast theme parks, Village Roadshow is also actively exploring new theme park opportunities both in Australia and overseas. Furthermore, in September 2007 Village Roadshow announced a cash takeover offer for Sydney Attractions Group Limited, the Australian Securities Exchange listed owner of Sydney Aquarium and other Sydney based attractions.

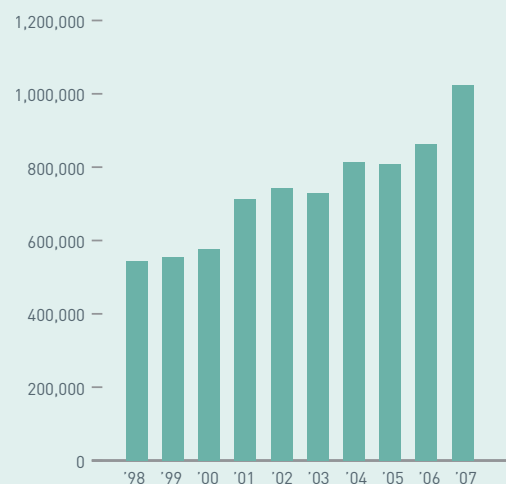
A. Australian Outback Spectacular has been performing near capacity shows since April 2006

B. There is no substitute for the thrill of live attractions, especially Sea World's Dolphin Show

C. Located adjacent to Warner Bros. Movie World, Wet 'n' Wild Water World is one of the world's largest and most successful water parks



VILLAGE ROADSHOW THEME PARK EBITDA SPLIT - 2007



ANNUAL ATTENDANCE GROWTH AT WET 'N' WILD WATER WORLD OVER PAST 10 YEARS

Wet 'n' Wild Water World has been one of Village Roadshow's most successful theme parks with consistent growth in attendances... with an 18.8 percent increase over the prior year to **over one million attendances**

the current year was also our most profitable since the inception of our theme park division with a better than **50 percent increase in EBITDA**



C.

FILM PRODUCTION

Happy Feet won the Oscar for best animated feature of 2006

Village Roadshow's movie production division, Village Roadshow Pictures Group ("VRPG") is the leading independent movie producer in Hollywood. VRPG has released six films in the past financial year – the animated film *Happy Feet*, *Unaccompanied Minors*, *Music and Lyrics*, *The Reaping*, *Lucky You* and *Ocean's 13*. These films delivered worldwide box office receipts of approximately US\$963 million with *Happy Feet* as the stand out performer generating worldwide box office of US\$384 million. In addition, *Happy Feet* won the Oscar for best animated feature of 2006.

Since inception nine years ago, VRPG has taken a portfolio approach to film making utilising a US\$1.4 billion financing facility. With offices in Los Angeles and Melbourne, thus far VRPG has produced 56 movies which have won eight Academy Awards and three Golden Globe Awards for films including *Training Day*, *Mystic River* and *Happy Feet*. Together these movies have already generated a global box office of over US\$7.7 billion.

VRPG's releases for the 2008 financial year include:

- *License to Wed* in which Robin Williams plays an eccentric Reverend who makes an engaged couple endure his quirky marriage preparation course before he'll agree to marry them. The film was released in the United States in July and will be released in international markets during November.

- A lonely female chef played by Catherine Zeta Jones in *No Reservations* has her life change when she becomes her niece's guardian, while a new sous chef played by Aaron Eckhart joins her kitchen, offering romantic possibilities. The film was released in August in the United States and during September in international markets.

- Nicole Kidman plays a psychiatrist in *Invasion* who realises that aliens are taking over the world and that she must save herself and her son. This thriller also stars Daniel Craig. The film was released in August in the United States and will be released during November in international markets.

- In *The Brave One*, Jodi Foster plays a female radio host who turns into a ruthless vigilante after she's beaten and her fiancé murdered in a random act of violence. The film was released in September in the United States and will be released during November in international markets.

- Will Smith is a survivor of a terrible plague who lives alone in a devastated New York in *I Am Legend*. He joins forces with two other survivors to battle blood thirsty humanoids whose only instinct is to kill. The US release date is set for December 2007 and it will be released in international markets during January 2008.

- *Speed Racer* is based on the cult cartoon series and is being directed by the Wachowskis in their first film since the completion of *The Matrix* trilogy. A young racecar driver faces off against corporate greed and his family's history as he struggles to remove corruption from the dangerous world of car racing. The US release date is scheduled for May 2008.

- *Nights in Rodanthe* stars Richard Gere and Diane Lane in this romantic drama based on the best selling book by Nicholas Sparks in which they fall in love by chance in a beach side town while both going through a divorce. The film is scheduled to be released in the US in June 2008.



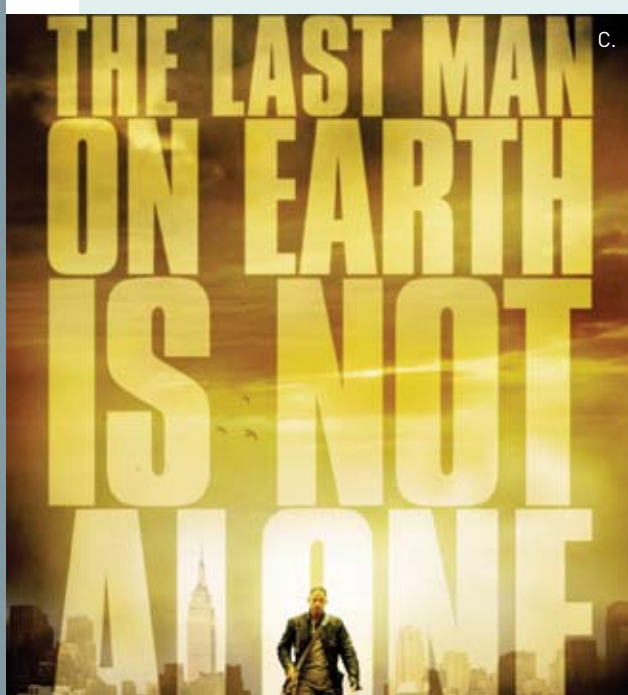
Village Roadshow Pictures' ... 56 movies have ... generated a **global box office of over US\$7.7 billion** ... utilising a US\$1.4 billion financing facility

- *Get Smart* is an action comedy based on the classic TV series starring Steve Carrell as Maxwell Smart, an unconventional secret agent who teams up with Agent 99, played by Anne Hathaway. Together, they must prevent a criminal organisation from unleashing nuclear devastation on the world. The film is set for release in the US in June 2008.

VRPG's Portfolio 1, which includes *The Matrix* trilogy, will continue to recognise profits over its expected life with unbooked film exploitation profits estimated at \$25 million on a discounted cash flow basis. Portfolio 2 was closed off in August 2007 – this decision, taken in agreement with our studio partner, Warner Bros., resulted in film exploitation losses of approximately \$45 million which have been included in the 2007 results. A new strong slate of films however will enable VRPG to pursue growth opportunities with Portfolio 3.

Recognising that movies sell music and music sells movies, the Company has positioned VRPG for a new phase of growth by taking the strategic decision to develop new business opportunities in music publishing and in feature film soundtracks for VRPG movies. In addition, the Company has announced that VRPG has signed an agreement to diversify its earnings stream by a merger with a leading company in the music sector, Concord Music Group, in which the Company will hold 39.9 percent of the merged film and music business.

Village Roadshow Pictures' ... movies ... have won **eight Academy Awards** and three Golden Globe Awards



A. *Speed Racer* is based on the cult cartoon series

B. *Get Smart*, starring Steve Carrell in the title role with Anne Hathaway as Agent 99

C. Will Smith stars in *I Am Legend*

FILM DISTRIBUTION

Roadshow continues to be a leader in the distribution of theatrical films to cinemas, DVD, pay and free television in Australia and New Zealand with a 21 percent share of the theatrical film market and a 15 percent share of the growing DVD distribution market

Village Roadshow's film and DVD distribution division, Roadshow Films, is Australasia's largest independent film distributor in the marketplace. Through its long standing supplier relationships with partners such as Warner Bros., New Line, ABC, BBC, The Weinstein Company (TWC) and our own Village Roadshow Pictures, Roadshow continues to be a leader in the distribution of theatrical films to cinemas, DVD, pay and free television in Australia and New Zealand with a 21 percent share of the theatrical film market and a 15 percent share of the growing DVD distribution market.

With total revenues of over \$300 million, Roadshow again produced a robust performance for the year with Village Roadshow's 50 percent share of after tax profit being \$15.3 million. In addition to exploiting opportunities in all of its existing mediums, the division is also well placed to take advantage of opportunities in emerging technologies such as Video On Demand and Electronic Sell Through.

Within the theatrical distribution sector of Roadshow, Warner Bros. continues to be the key supplier with 2007 seeing the release of fourteen titles including the epic *300* which achieved a record Easter weekend box office, *The Departed* from Martin Scorsese and *Blood Diamond*, the latter two being nominated for five Academy Awards. Village Roadshow Pictures provided Roadshow with its number one release in 2007, *Happy Feet*, which won the Academy Award for the 'Best Animated Feature Film' and Golden Globe for Best Original Song – Motion Picture.

Happy Feet was also the number one Australian film released during the year. Other key releases from the Village Roadshow Pictures slate included *Ocean's 13* and *Music and Lyrics*. During its first year with Roadshow, the TWC slate included *Teenage Mutant Ninja Turtles*, the first movie in fourteen years from the original franchise.

The 2007 year also showcased our continued support of local talent with three Australian films releasing in the period including *Jindabyne* (in which Roadshow Films also has an equity position), *Boytown*, Mick Molloy's follow up to *CrackerJack*, and the independent Australian feature film *2:37* which opened the Melbourne International Film Festival. The 2008 year sees the release of Australian thriller *Rogue*.

The 2008 year has already seen the successful release of *Harry Potter and the Order of the Phoenix* achieving the largest opening to date of any Harry Potter film. Other key Warner Bros. releases scheduled for 2008 include the holiday comedy *Fred Claus* (Vince Vaughn), *Bucket List* (Jack Nicholson, Morgan Freeman) and *10,000BC*.

New Line provides a stellar line up in 2008 including the recently released *Hairspray* which to date has had an outstanding opening. Other New Line titles to be distributed by Roadshow include *The Golden Compass* (Nicole Kidman, Daniel Craig) and *Rush Hour 3*. The end of the 2008 financial year sees the release of the much anticipated *Sex and the City* which follows on from the hit series starring Sarah Jessica Parker, Kim Cattrall, Kristin Davis and Cynthia Nixon.

Key titles within the forthcoming Village Roadshow Pictures line up to be distributed by Roadshow include *Speed Racer*, *I am Legend* and *Get Smart*.

The Roadshow Entertainment sector continues to be the leading independent distributor of DVD product to both retail and rental chains. The division has again performed strongly in the buoyant Australian DVD market with the continuing focus on cost reductions and improved margins.



with exciting revenue initiatives in planning and underway; the future, the profit and the cash generating prospects for this successful, stable business remain strong

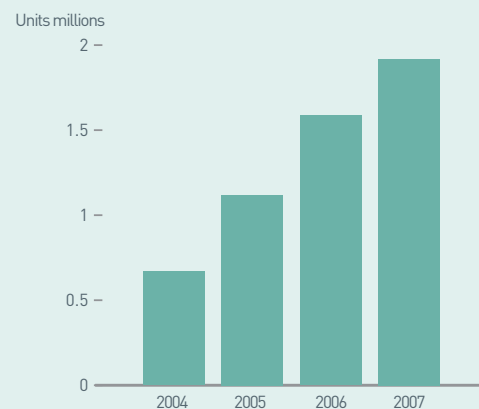
Roadshow is Australia's largest distributor of television programming on DVD which continued to increase in popularity with the Channel 10 series *Thank God You're Here*, continued success with *Little Britain* and *Planet Earth* from BBC and the AFI award winning *Love My Way*.

A key milestone in the year included the release of Village Roadshow Picture's *Happy Feet* on DVD which was supported by an outstanding marketing and publicity campaign helping the movie to achieve the status of the biggest selling Australian DVD of all time. Other significant releases in the year included *Memoirs of a Geisha* and *Brokeback Mountain*.

Roadshow's television distribution sector is the leading independent distributor of product to both pay television and free to air networks in Australia and New Zealand. It produced similarly outstanding results with its full year sales results well above expectations predominantly through the company's investment in The Movie Network and strong revenue gains in Pay-Per-View.

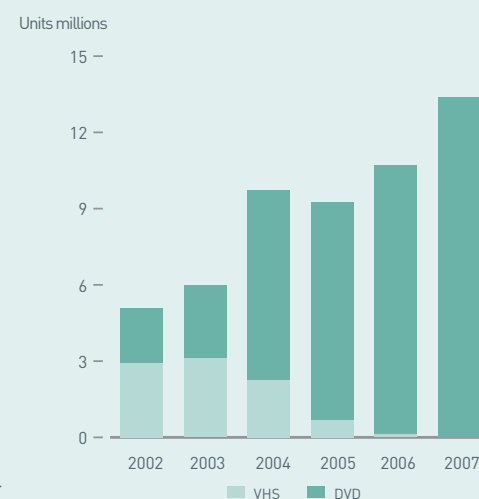
In addition to the film distribution activities of Roadshow in Australia and New Zealand, Village Roadshow also distributes movies in the Greek and Singapore markets.

In August 2007, Village Roadshow moved strategically to 100 percent ownership of this core film distribution division as detailed elsewhere in this report. With exciting revenue initiatives in planning and underway; the future, the profit and the cash generating prospects for this successful, stable business remain strong.



ROADSHOW'S AUSTRALIAN UNIT SALES OF TELEVISION PROGRAMMING ON DVD (ALL FORMATS) OVER 4 YEARS

Roadshow ... has again performed strongly in the buoyant Australian DVD market

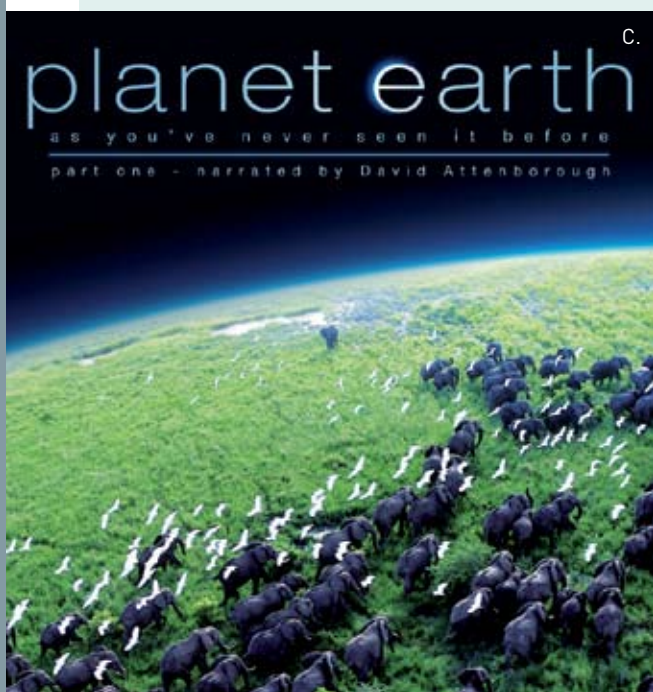


ROADSHOW'S AUSTRALIAN VIDEO/ DVD UNIT SALES FROM CATALOGUE PRODUCT OVER 6 YEARS

A. Roadshow distributed Warner Bros' favourite wizard movie, *Harry Potter and the Order of the Phoenix*

B. *Golden Compass* from New Line stars Nicole Kidman and Daniel Craig

C. Roadshow's distribution of BBC television product included the David Attenborough narrated series *Planet Earth*



CINEMA EXHIBITION

Village Cinema's profit before tax... **more than tripled** last year's result to \$13.6 million with ... total reported EBITDA... **37 percent up** on last year

Village Roadshow's cinema exhibition division, Village Cinemas, has completed the major rationalisation of its international cinema operations over the past several years. Village Cinemas now owns 533 screens at 53 cinema locations in Australia as well as a further 18 cinema sites with 167 screens internationally in Greece, the Czech Republic and Singapore. Village Cinemas entertain over 38 million customers annually around the world.

Strong box office performances were recorded in Australia and Singapore during the year, assisted by the ongoing success of our **max** screens and Village Cinema's premium luxury cinema experience, **Gold Class**. With site rationalisation, close control of costs and marketing initiatives, the division's total reported EBITDA was 37 percent up on last year's \$28 million to \$38.4 million in the current financial year, with the significant Australian cinema circuit reporting a strong 19 percent improvement in EBITDA. The Company's share of Village Cinemas' profit before tax, before material one-off items and discontinued operations, more than tripled last year's result to \$13.6 million, up from last year's \$4.3 million.

This result was driven by a suite of blockbuster films during the latter part of the financial year with such movies as *Happy Feet*, *A Night at the Museum*, *300*, *Spiderman 3*, *Ocean's 13*, *Shrek the Third*, *Pirates of the Caribbean – At World's End* and *Fantastic Four – the Rise of the Silver Surfer*.

This run of good product has continued into the new financial year with further strong results being generated through *Transformers*, *Harry Potter and the Order of the Phoenix*, *The Simpsons Movie*, *The Bourne Ultimatum*, *Knocked Up*, *Die Hard 4*, *Ratatouille*, *Hairspray* and *Rush Hour 3* through to September. Other forthcoming highlights include *The Brave One*, *Elizabeth – The Golden Age* and *Beowulf* through the October and November period.

Strong brand alliance and repeat visitation to Village Cinemas in Australia is promoted through the Village Movie Club which continues to deliver innovative ways to engage cinema-goers, with immediate communication channels and interactivity. Village Movie Club has over 500,000 members (over 850,000 members nationally with its partners) receiving weekly emails and accessing member promotions.

Online cinema ticketing continues to grow with over 8 percent of tickets purchased online and nearly 20 percent purchased online for some cinema locations such as **Gold Class**. Further, the websites draw over 1.5 million unique visitors each month, with this number continuing to grow via Village Movie Club and the launch of new concepts with online ticketing – such as *Village Quiktix*, the Print at Home ticketing solution launched in September this year. Village Cinemas is leading the way with this concept in Australia with ticketing allowing patrons to by-pass queues, providing them with a much easier and quicker way to go to the movies.

In Australia the Company disposed of all of its interest in the Palace cinema joint venture, except for Carlton Nova and internationally concluded successful exits from our non-core cinema territories in Italy, New Zealand, Fiji and Austria.

In Greece, together with strategic site rationalisation, a cinema refurbishment program has transitioned this cinema territory from its original old style cinemas to the new 'Village World' concept including **max**, **Gold Class** and other complimentary revenue streams such as cafes and bowling.



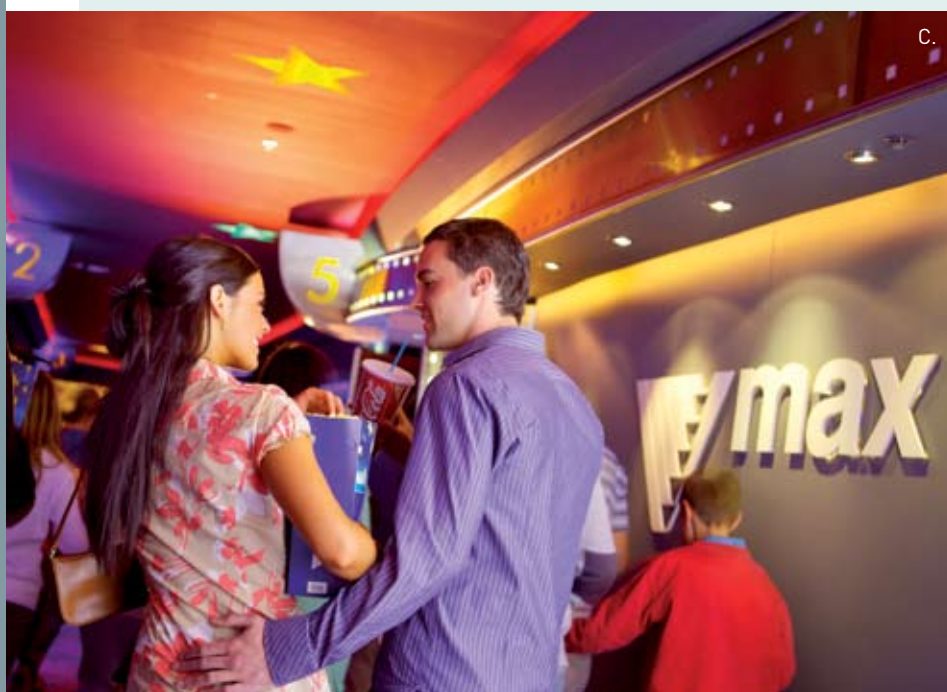
Village Cinemas entertain **over 38 million customers** annually around the world

In Singapore, our new 15 screen cinema complex at Vivocity opened in October last year and included **max** and Gold Class offerings. The local Movie Club was also launched and has proven to be particularly popular. In difficult trading conditions our two Czech Republic sites performed above expectations. Strong local films also assisted performance in these markets.

Village Cinemas is also leading the world in pursuing, with its entertainment partner Crescent Investments, the emerging growth category of premium, intimate cinemas in the United States market. Village Cinemas is in the advanced planning stages of expanding its **Village Roadshow Gold Class** concept to selected key US markets. Gold Class cinemas in the US will be an extension of the Gold Class cinemas developed in Australia and other international markets – they will be superbly designed to provide a luxuriously intimate setting unlike any other cinema experience in the United States. Targeting the mass affluent US consumer, each Gold Class cinema will feature approximately 40 custom luxury reclining seats and state-of-the-art cinema technology, including super-wide screens and digital audio delivering a stunning cinematic experience. Additionally, Gold Class cinemas will boast valet service, VIP concierge, a full-service bar and lounge and gourmet food with personal waiter service during each screening. The Company considers that its experience and first mover advantage in the carefully selected lifestyle centres will be successful, with the first site scheduled to open in mid 2008.

Village Cinemas has... 533 screens at 53 cinema locations in Australia as well as a further 18 cinema sites with 167 screens internationally in Greece, the Czech Republic and Singapore

Village Cinemas is also leading the world in pursuing... the emerging growth category of premium, intimate cinemas... expanding its **Village Roadshow Gold Class** concept to selected key US markets



C.

A. Village Roadshow is bringing the luxury of Gold Class cinemas to the United States

B. Cinema goers enjoyed blockbuster films at Village Cinemas during the year

C. Village Cinemas' **max** has Australia's largest conventional indoor cinema screen

RADIO

Austereo has ... an unmatched line-up of Australia's most engaging and entertaining personalities, because when the stars are talking, audiences are listening

Village Roadshow's radio assets are held through **Austereo Group Limited**, the separately Australian Securities Exchange listed company of which Village Roadshow owns 51.65 percent.

Hamish & Andy, Kyle & Jackie O, Tony Martin, Wil Anderson, Marty Sheargold and Fifi Box – all of these stars and scores more, are the icons of contemporary Australian popular culture and all are the voices of Austereo's two outstanding radio networks – the **Today Network** and the **Triple M Network**. On-air and online, Austereo's Today and Triple M Networks have an unmatched line-up of Australia's most engaging and entertaining personalities, because when the stars are talking, audiences are listening.

Austereo's stars and shows are unique in commercial radio and in the wider media environment. They entertain and inform an audience that included 45 percent of all people in the 25–54 demographic*. That vast audience across our ten capital city FM stations is now increasing as Austereo further expands its reach across its online sites, iPod downloads and through internet streaming. Radio is a logical partner for the emerging digital media platforms. The new generation of media options and experiences is expanding the relevance of radio – and Austereo, as Australian market leader, is a prime beneficiary of the new horizon of opportunity and growth.

With an enhanced online structure now in place, Austereo is positioned to capitalise on the remarkable growth of the new platforms. Concurrent with the online developments, iPod downloads have also broadened the reach and relevance of Austereo's programs. Each month, Austereo delivers over 650,000 downloads. Austereo also plans to complete its preparations for the introduction of digital radio in the coming year, well ahead of the switch-on date of January 2009.

Austereo continues to hold the title for the network with the most listeners tuning in each week. In the past year, just under 40 percent (or over 4.3 million people) of the total 10+ commercial FM radio audience listened to an Austereo branded station each week*. This is an outstanding result, with audience leadership in all key under 54 demographics.*

Austereo's return to growth commenced in earnest two years ago after the radio industry in Australia had absorbed the impact of a raft of new FM radio licences issued over the past few years.

By the end of the 2006 financial year, Austereo had regained leadership in the majority of capital city FM radio markets. As at the final audience survey* of the 2007 financial year, Austereo held the Number One FM position in Sydney, Melbourne and Perth, was second in Brisbane and third in Adelaide. The joint venture stations in Canberra and Newcastle were also Number One. Importantly, the results throughout the year were generally consistent. This attracted strong support from media buyers and advertisers who value a solid, predictable performance from media.

Total revenue lifted by 6.7 percent to \$255.1 million, reinforced by buyer confidence in Austereo. EBITDA increased 13.3 percent to \$88 million. Costs were tightly managed throughout the year and, despite the need for investment in programming and marketing, non-revenue related expenses only increased by 3.4 percent. This result is also reflected in Austereo's EBITDA margin increasing to 34.6 percent from 32.6 percent.



Austereo held the **Number One FM position** in Sydney, Melbourne and Perth*

Austereo's stars ... entertain and inform an audience that included **45 percent of all people** in the 25-54 demographic*

During the year, Austereo also entered into a new online platform agreement which will reduce the potential cost of platform development and, at the same time, accelerate the upgrading of all Austereo websites, consolidating Austereo's online leadership amongst radio operators.

Building on Austereo's Australian success, Austereo holds minor international interests in Malaysia, Greece and the United Kingdom. In Malaysia, Austereo assisted Airtime Management and Programming radio networks to Number One for listeners and advertisers, with its stations recording a combined reach of 71 percent of the Malaysian population and held the Number One station in each of Malaysia's market segments - Malay, English, Tamil and Chinese.

Village 88.3FM in Greece held it's performance year on year in a market where trading continues to be difficult due to the economy and proposed media law changes. In recent BARI surveys, Village 88.3FM recorded increases in daily listening and is holding strong in its target demographic of 25-34. Austereo also holds a 4.2 percent interest in UKRD, an English radio operator which merged in December 2006 with a web, software development and search engine specialist company.

Village Roadshow is confident the strength of Austereo's two networks will continue to lead the Australian capital city radio market.

* Source: Nielson Media Research - Survey 4, 2007



AUSTEREO'S EBITDA GROWTH \$M

over **4.3 million people** of the total 10+ commercial FM radio audience listened to an Austereo branded station each week*



A. Hamish & Andy, Today Network
 B. Triple M's Wil & Lehmo
 C. The Shebang, with Marty & Fifi on Triple M

BOARD AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

JOHN KIRBY

Executive Chairman

ROBERT KIRBY

Executive Deputy Chairman

GRAHAM BURKE

Managing Director

PETER HARVIE

Executive Chairman,
Austereo Group Limited

BILL CONN

Independent Non-executive
Director

DAVID EVANS

Independent Non-executive
Director

PETER JONSON

Independent Non-executive
Director

ROBERT LE TET

Independent Non-executive
Director

BARRY REARDON

Independent Non-executive
Director

EXECUTIVE COMMITTEE

PETER FOO

Group Chief Operating
Officer

PHIL LEGGO

Group Company Secretary

JULIE RAFFE

Chief Financial Officer

TONY PANE

Chief Tax Counsel

SIMON PHILLIPSON

General Counsel

TIM CARROLL

Chief Marketing Officer

PETER DAVEY

Managing Director Corporate
Development

DAVID KINDLEN

Chief Information Officer

CORPORATE

ANITA COX

Human Resources Manager

SHAUN DRISCOLL

Co Company Secretary &
Group Manager Corporate
Services

LEE EWE

General Manager Risk
Assessment & Compliance

PETER HARRIS

Corporate Financial Controller

ANDREW HUTCHINSON

General Manager Group Tax

JORDANA JENSEN

Digital Marketing Director

MICHAEL McKEON

Marketing Director, Brand
Alliances, New Marketing
Business Development

THEME PARK DIVISION

JOHN MENZIES

Chief Executive Officer, Village
Roadshow Theme Parks

GRAHAM McHUGH

Chief Financial Officer, Village
Roadshow Theme Parks

STEVE PEET

Chief Operating Officer, Village
Roadshow Theme Parks

ERNST PFISTER

General Manager, Sea World
Resort

JOHN HARNDEN

Chief Executive, International
Theme Parks

TIM FISHER

General Manager, International
Theme Parks

LYNNE BENZIE

Vice President, Studio
Operations, Warner Roadshow
Studios

MICHAEL CROAKER

Creative Director, Village
Roadshow Theme Parks

TAUBIN GAY,

Risk & Commercial Manager,
Village Roadshow Theme
Parks

PAUL GLOSTER

Director of Marketing, Village
Roadshow Theme Parks

BEN GRAZIANI

Finance Manager, Village
Roadshow Theme Parks

DAVID HOWELL

Food & Beverage Manager,
Village Roadshow Theme
Parks

JEFF HUGHES

Operations Manager, Village
Roadshow Theme Parks

MIKE LAKE

President, Warner Roadshow
Studios

TONY LINES

Human Resources Director,
Village Roadshow Theme
Parks

TREVOR LONG

Director Marine Sciences,
Village Roadshow Theme
Parks

SCOTT LYNDON

Legal Counsel, Village
Roadshow Theme Parks

MARIO SOPENA

Retail Manager, Village
Roadshow Theme Parks

KEN SPILLER

Group Project Manager, Village
Roadshow Theme Parks

ADRIAN SUMMERS

Technical Services Manager,
Village Roadshow Theme
Parks

FILM PRODUCTION DIVISION

GREG BASSER

Chief Executive Officer, Village
Roadshow Entertainment
Group

BRUCE BERMAN

Chairman & Chief Executive
Officer, Village Roadshow
Pictures Entertainment

BRYCE WOLFE

Finance Director, Village
Roadshow Entertainment
Group

DANA GOLDBERG

President of Production,
Village Roadshow Pictures
Entertainment

BURT BERMAN

Chief Executive Officer, Village
Roadshow Music Group

MELISSA ANNA

Executive Vice President,
Distribution & Media,
Village Roadshow Pictures
Entertainment

JEFFREY LAMPERT

Executive Vice President, World
Wide Feature Productions,
Village Roadshow Pictures
Entertainment

MATTHEW VELKES

Chief Financial Officer,
Village Roadshow Pictures
Entertainment

PHILLIP VELLA

Business & Legal Affairs
Manager, Village Roadshow
Entertainment Group

FILM DISTRIBUTION DIVISION

CHRIS CHARD

Managing Director, Roadshow
Entertainment and Roadshow
Television

JOEL PEARLMAN

Managing Director, Roadshow
Film Distributors

CAROLE BROWNLEE

Finance Director, Roadshow
Films

NOEL BECKETT

Managing Director Roadshow
New Zealand

PADDY BRYANS

Marketing Director, Roadshow
Entertainment

BRANDON HILL

Sales Director, Roadshow
Entertainment

LISA HUBBARD

General Manager, Roadshow
New Zealand

PHIL ONEILE

National Marketing Manager,
Roadshow Film Distributors

BRETT ROSENGARTEN

National Sales Manager,
Roadshow Film Distributors

GREG SNEDDON

Sales Director, Roadshow
Television

CINEMA EXHIBITION DIVISION

KIRK SENIOR

Chief Executive Officer, Village
Cinemas

CHRIS SHINE

General Manager Operations,
Village Cinemas Australia

CHRIS JOHNSTONE

Director of Architecture, Village
Cinemas

DAVID GLASS

Managing Director, Village
Roadshow Leisure

HARRY ANTONOPOULOS

Managing Director, Village
Cinemas Greece

TOMAS PALICKA

General Manager, Village
Cinemas Czech Republic

KENNETH TAN

Managing Director, Golden
Village Cinemas, Singapore

RADIO DIVISION

PETER HARVIE

Executive Chairman, Austereo
Group Limited

MICHAEL ANDERSON

Chief Executive Officer,
Austereo Group Limited

KATHY GRAMP

Chief Financial Officer,
Austereo Group Limited

GUY DOBSON

Group Program Director,
Austereo Group Limited

GEOFF HILL

National Sales Director,
Austereo Group Limited

JEREMY MACVEAN

Group Marketing Director,
Austereo Group Limited

GEORGE CHAPMAN

Director International
Operations, Asia, Austereo
Group Limited

LISA DAVISON

Director Promotions and
Marketing Director, Austereo
Group Limited

DES DECEAN

Director Engineering and IT,
Austereo Group Limited

JILL JOHNSON

Human Resources Manager,
Austereo Group Limited

EMMA McDONALD

General Counsel, Austereo
Group Limited

HELEN DAVIES

General Manager, Sydney

BEN ARMAFIO

General Manager, Melbourne

RICHARD BARKER

General Manager, Brisbane

PETER MAYNARD

General Manager, Adelaide

LINDA WAYMAN

General Manager, Perth

MARK STRONG

General Manager, Austereo
Interactive