



ENTERTAINMENT



VILLAGE ROADSHOW LIMITED

ANNUAL REPORT 2011

PROFILE

Village Roadshow was founded by Roc Kirby and first commenced business in 1954 in Melbourne, Australia and has been listed on the Australian Securities Exchange since 1988. Still based in Melbourne, Village Roadshow Limited ('VRL') is a leading international entertainment company with core businesses in Theme Parks, Cinema Exhibition, Film Distribution and Film Production and Music. All of these businesses are well recognised retail brands and strong cash flow generators - together they create a diversified portfolio of entertainment assets.

Theme Parks

Village Roadshow has been involved in theme parks since 1989 and is Australia's largest theme park owner and operator.

On Queensland's Gold Coast VRL has:

- Warner Bros. Movie World, the popular movie themed park;
- Sea World, Australia's premier marine theme park;
- Wet'n'Wild Water World, one of the world's largest and most successful water parks;
- Sea World Resort and Water Park,

and Sea World Helicopters;

- Australian Outback Spectacular; and
- Paradise Country and Village Roadshow Studios.

VRL is moving forward with plans to build Australia's newest water theme park, Wet'n'Wild Sydney, with site development to begin in the 2012 calendar year.

VRL's overseas theme parks are:

- Wet'n'Wild Hawaii, USA; and
- Wet'n'Wild Phoenix, Arizona USA.

Cinema Exhibition

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 506 screens across 50 sites in Australia, 73 screens at 9 sites in Singapore, 59 screens

at 8 sites in the United States and 12 screens in the UK. VRL continues to lead the world with industry trends including stadium seating, digital projection, 3D blockbuster movies and the growth category of premium cinemas including Gold Class.

Film Distribution

Originally started by Village Roadshow in the late 1960's, Roadshow Films has grown into Australasia's largest independent film distributor distributing films to cinemas nationally as well as DVDs to major retailers. Roadshow 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), ABC, BBC, The Weinstein Company and Village Roadshow Pictures. VRL also has film distribution operations in New Zealand.

Film Production and Music

Village Roadshow has been involved in the movie business since the 1960's. Jointly owned with other leading investors in the entertainment industry, Village Roadshow Entertainment Group comprises:

- One of the leading independent Hollywood movie producers, Village Roadshow Pictures, having won 8 Academy Awards and 3 Golden Globe Awards for films including *Training Day*, *Mystic River* and *Happy Feet*. Since its inception in 1998, Village Roadshow Pictures has produced

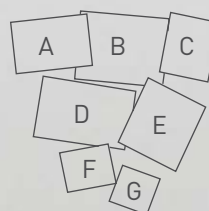
68 films with global box office takings of over US\$10 billion including blockbuster hits such as *The Matrix* trilogy, the *Ocean's* trilogy, *Charlie And The Chocolate Factory*, *Happy Feet*, *I Am Legend*, *Get Smart* and *Sherlock Holmes*.

- Concord Music Group, one of the world's largest music companies, with over 8,000 commercially available album-length master recordings and over 14,000 owned and administered song copyrights.

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Village Roadshow Limited
ABN 43 010 672 054



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CORPORATE REVIEW



Robert G. Kirby
Chairman



John R. Kirby
Deputy Chairman



Graham W. Burke
Chief Executive Officer

To Our Shareholders

The Board of Village Roadshow Limited ('VRL') is pleased to report that **VRL continues to deliver solid operating earnings and cash flow from its portfolio of core businesses for the year ended 30 June 2011** and that a number of significant corporate milestones were achieved during the year.

The VRL group achieved a net operating profit after tax and before material items and discontinued operations for the year ended 30 June 2011 of \$31.3 million, compared to \$35.0 million for the prior period.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') from operations of \$140.5 million was down on the prior period result of \$147.0 million, reflecting the impact of wetter than normal conditions at our Gold Coast Theme Parks and weaker film product in our Australian Cinema Exhibition division.

During the year the VRL group sold its entire investment in the Austereo Group Limited ('Austereo') and Sydney Attractions Group businesses in March 2011 and December 2010 respectively. The sale of these divisions realised \$489.8 million in cash proceeds and resulted in the recognition of \$134.3 million profit on sale after tax.

In addition to robust divisional performances, there were a number of significant milestones realised during the 2011 financial year, including:

- Sale of the Company's majority shareholding in Austereo to Southern Cross Media for \$2.15 per share, the proceeds of which were taken as cash;
- Divestment of the Sydney Attractions Group and Kelly Tarlton's Antarctic Encounter and Underwater World businesses to Merlin Entertainments Group;
- Restructure of the Company's US Gold Class cinema business;
- Successful on-market share buyback and variation of rights proposal culminating in the conversion of all preference shares into ordinary shares in November 2010, simplifying the Company's capital structure with only one class of share remaining;

- Repayment of the Corporate debt facility in full in April 2011;
- Payment of an interim dividend of 8 cents per share and a special dividend of 12 cents per share in April 2011, both franked to 70%;
- Announcement of \$1.00 cash return to shareholders which was paid in July 2011;
- Declaration of a fully franked final dividend of 8 cents per share for the 2011 financial year, payable in October 2011; and
- Announcement of approval from NSW Government for a proposed new Wet'n'Wild water park in Sydney, subject to planning permits and financing.

The Company has successfully implemented the targeted divestment and restructuring of its non-core businesses during the year and is pleased that shareholders have supported its capital management strategy. Together these have enabled VRL to repay all corporate debt in full and positioned the Company's balance sheet to execute on a number of smart growth opportunities.

In addition the significant restructure of the Company's businesses over the past year realised substantial cash in excess of the Company's current and reasonably foreseeable future needs, including acquisitions and development projects. Following shareholder approval, a distribution of \$1.00 per share was paid in July 2011, with \$0.80 per share being treated as a fully franked distribution and \$0.20 per share as a capital reduction.

In aggregate, **since the last annual report, VRL has distributed an amount of \$193.9 million to shareholders, or \$1.28 per share.**



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During the year the Board undertook a review of corporate overhead costs. This exercise identified a number of key areas of cost savings, including the Executive Directors' agreement to a reduction in their remuneration packages. The implementation of these initiatives will achieve annual cost savings of approximately \$10 million across the VRL group from the next financial year. Further details of the remuneration arrangements for the Executive Directors from July 2011 are set out in the Company's Remuneration Report.

This new corporate cost structure initiative brings VRL in line with industry standards for a more streamlined and agile company, ready to build on our existing brands and explore smart new growth opportunities. The Board remains committed to on-going capital management including a sustained dividend policy.

Theme Parks

The Company's Theme Parks division includes Warner Bros. Movie World, Sea World, Wet'n'Wild Water World, Australian Outback Spectacular, Paradise Country, Village Roadshow Studios, Sea World Resort & Water Park and Sea World Helicopters – all based on Queensland's Gold Coast – and the two USA water parks, Wet'n'Wild Phoenix located in Arizona, and Wet'n'Wild Hawaii located on the island of Oahu.

Despite record setting rainfall in Queensland, severe and widespread flooding in the core and regional markets, and a category 5 cyclone which resulted in devastating impacts to the local economy and discouraged tourists to the area, **Village Roadshow Theme Parks recorded an impressive performance with an all time high in attendance for the year and the second highest EBITDA in the history of the division.** EBITDA for the Theme Parks division, which includes the Gold Coast Theme Parks and USA Water Parks, was \$87.2 million, excluding material items, compared to \$96.0 million for the prior period.

The successful VIP Season Pass sales program, exciting new attractions, admission yield increases and a disciplined approach to expense control at the Gold Coast parks played a key role in offsetting the impacts of the severe regional weather conditions, with yield increasing 4.8% over last year. Customers loved the VIP ticket strategy with VIP ticket sales nearly double last year's. The Company's MyFun entertainment ticketing business enjoyed record online sales during the year, anchored by approximately 43% of total VIP ticket sales coming through this sales outlet.

At Warner Bros. Movie World, higher attendance was underpinned by the strong visitation from the VIP pass

program and our feature special events, *Halloween* and *White Christmas*. Both of these after-hour evening events proved to be very popular with our customers. **Due to exceptional demand for the *White Christmas* special event, Warner Bros. Movie World had to be closed due to capacity crowds on a number of evenings during the engagement period.** Given our success, we are now making these special event programs annual events in the operating calendar of the park. In addition to our popular special events, Warner Bros Movie World will open an exciting new attraction in the spring of 2011, *Green Lantern* - the new steel coaster will feature the steepest drop in the Southern Hemisphere. *Fright Nights*, *White Christmas* and *Green Lantern* are sure to provide thrills and excitement for our many customers in the coming fiscal year.

Two new attractions opened at Sea World during the year. **The new family-friendly *Castaway Bay* interactive water attraction opened in October 2010 and proved to be very popular with our customers, anchoring significantly improved attendance compared to the previous year.** In addition the new *Penguin Encounter* stadium featuring King and Gentoo penguins opened later in December to a very positive response from our customers. In this new fiscal year, we will add an all-new *Nickelodeon* themed parade featuring *SpongeBob Squarepants*, and the exciting *Jet Stunt Extreme* show, the most daring stunt show on water in Australia.

Sea World Resort and Water Park, the 405 room hotel adjacent to the Sea World park with its own water park attractions, delivered a pleasing result with increased occupancy levels compared to the prior year, which is an impressive achievement considering the inclement weather in key trading periods. The room upgrade program continued during the year which has been well received by the Resort's guests. As with the Sea World theme park, **the Resort will also introduce the highly popular *Nickelodeon* characters to its customers in the new fiscal year with a large *Nickelodeon* themed water sprayground and attraction area in the centre of the Resort.** Sea World Helicopters turned in a solid performance, improving on last year's passenger numbers and revenues.

The exciting new *Aqua Loop* water slide attraction opened successfully at Wet'n'Wild Water World in October 2010 as well as the 'pay per ride' adventure park themed area which includes the new attractions *Sky Coaster*, *Zip-lines* and *Flow Rider*. These new attractions have been well received by visitors and, with the return of better Queensland weather, improved attendances are expected to have a positive impact on the park's performance.



The poor weather conditions in regional Queensland impacted the attendance, and subsequently, the performance of Australian Outback Spectacular. Paradise Country however, enjoyed better attendances and produced an improved result as international visitation to the area stabilised compared to previous years. Whilst improving on prior year, Village Roadshow Studios, adjacent to Warner Bros. Movie World, continued to experience difficult trading conditions, being adversely affected by the strong Australian dollar exchange rate.

The Company's seasonal water park in Arizona, Wet'n'Wild Phoenix, re-opened for its second full operating season in March 2011 with strong season pass sales and the opening of the new *Constrictor* water slide. The park's fiscal year results were up 8.4% on the previous year, reflecting once again the park's strength in its core and regional markets. Despite the struggling US economy, **the current summer season in the US has seen a record setting performance for the Phoenix park in both attendance and EBITDA.**

Though Wet'n'Wild Hawaii's performance was down on the previous fiscal year, management has reacted in a pro-active manner to offset the impact of the economic issues in the core market, and the slow to recover tour and travel market for the park. The park has experienced a more positive performance in the US spring and summer season and improving domestic tourism should also help generate incremental visitation to the park.

Village Roadshow Theme Parks continues to move forward with plans to develop the new Wet'n'Wild park in Sydney. The planning process is in the final stages of development approval and the Company expects to begin site development in the 2012 calendar year.

In addition to the Sydney development, Village Roadshow Theme Parks is continuing to explore and evaluate a number of exciting opportunities including both in Australia and internationally in Asia and the United States.

- A: *Castaway Bay* at Sea World
- B: Aerial shot of Wet'n'Wild Water World, Australian Outback Spectacular, Village Roadshow Studios and Warner Bros. Movie World.
- C: *Aqua Loop* at Wet'n'Wild Water World
- D: *White Christmas* at Warner Bros. Movie World
- E: *Star Parade* at Warner Bros. Movie World
- F: *Flow Rider* at Wet'n'Wild Water World.



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Cinema Exhibition

The Cinema Exhibition division operates predominantly in Australia, Singapore and the United States mainly through joint ventures with Greater Union in Australia and Orange Sky Golden Harvest in Singapore.

EBITDA before discontinued operations and material items for the year was \$46.4 million compared to \$46.6 million for the prior period, due to lower admissions in the current year offset by higher average spend and reduced losses from the US Gold Class business.

Total paid admissions for all territories were 35.1 million, down from 37.3 million in the prior year.

Australian Cinema exhibition attendances across the Company's 50 sites and over 500 screens were 9% lower than the prior year which was mainly as a result of the previous period one-off phenomenon of *Avatar*, which was the highest ever grossing film in Australia.

The year finished with strong results from *Pirates Of The Caribbean – On Stranger Tides* and *The Hangover 2*. Other high performing films during the year included *Toy Story 3*, *Inception*, *Harry Potter And The Deathly Hallows Part 1*, *The Twilight Saga: Eclipse* and *The King's Speech*. Strong film product releases continue into the new financial year with *Harry Potter And The Deathly Hallows Part 2* and *Transformers: Dark Of The Moon*, to be followed with *The Twilight Saga: Breaking Dawn Part 1* and the highly anticipated *Happy Feet Two 3D* and *Sherlock Holmes: A Game Of Shadows* all due for release in the coming months.

Capitalising on the success of 3D movies, Village Cinemas, in conjunction with its partners, continued the roll out of digital projectors throughout the year with about half of our screens already converted with full deployment shortly after the end of the 2012 financial year.

Rivoli Cinemas Gold Class in Victoria was opened in June 2011 from the conversion of two existing traditional cinema screens, creating a new entertainment destination in Melbourne. Also during the year, the 50% interest in Ballarat Cinemas in regional Victoria was sold and, in conjunction with Greater Union, a new site in Top Ryde in New South Wales was opened.

Village Cinemas maintained its focus on innovation and technology development with the release of the Village Mobile Ticketing site, which now gives movie goers the ability to buy cinema tickets online and go straight to the cinema rather than having to queue to purchase tickets.

In the part-owned USA circuit, a new site in Scottsdale, Arizona opened with an outstanding response and, as part of the restructure of this division, a site in Bayshore,

Wisconsin was acquired. Currently a number of the existing sites are undergoing extensive re-development which will complement the current product offering and will put the circuit in a better trading position for the next financial year. Further negotiations are underway for further new sites in strategic locations to maximise the circuit's return potential.

Attendances in the Company's jointly owned 9 site 73 screen Singapore circuit were up 2.9% on the prior year resulting in a better than anticipated result for the year.

In May 2011, following the settlement of legal proceedings with the former sub-tenant, the cinema operations in Belfast, United Kingdom were re-acquired.

The Intensity games business traded as expected but was impacted by the general downturn in the retail sector.

Film Distribution

The Film Distribution division includes Roadshow Films, Roadshow Entertainment, Roadshow Digital and Roadshow Television, with operations in Australia and New Zealand.

Strong results from the Theatrical film distribution business and innovative marketing in the Entertainment business assisted the Film Distribution division in maintaining its business performance in line with the prior year. EBITDA excluding discontinued operations and material items for the year was \$50.5 million, consistent with the prior year result of \$50.0 million.

Roadshow Films continued to be the leading distributor with a market share of 23%, which was maintained off the back of a solid line up of films showcased throughout the year. Warner Bros. continued to be a key supplier of strong performing product including the highly successful *Harry Potter And The Deathly Hallows Part 1*. Other top performing titles during the year included *Inception*, *Yogi Bear*, *Due Date*, *The Hangover 2* and *The Expendables*.

The strength of the release schedule is continuing into the 2012 financial year with the successful release of *Harry Potter And The Deathly Hallows Part 2* along with the highly anticipated release of *The Hunger Games*, which is based upon the trilogy of bestselling books of the same name. **The new financial year will also be a strong year for Australian releases with Roadshow distributing the highly acclaimed *Red Dog*, which not only has been critically acclaimed and universally loved, but is one of the Top 10 Australian films ever at the box office.** Other Australian films in production and for subsequent distribution by Roadshow are



Simon Wincer's *The Cup*, the musical *Goddess*, *Wolf Creek 2*, *Kath And Kim The Filum* and *Working Dog's Any Questions for Ben?*.

Roadshow Entertainment began the first half of the year slower than predicted but recovered well in the second half to exceed both budget expectations and prior year results. This improved result was driven by reduced inventory returns, margin gains from 'straight to video' and tight controls over overhead and marketing costs, which softened the impact of pressure from discounting as a result of the general downturn in the retail market. **Roadshow remained the market leading DVD distributor growing its share to 16.3%**, with top releases during the period including *Sex And The City 2*, *Underbelly – Golden Mile*, *Expendables*, *Girl With The Dragon Tattoo* and *Life As We Know It*.

Roadshow Digital is emerging as an exciting new revenue driver for the business. The distribution of film and TV series via the internet is growing in step with improved broadband services nationally. An expanding list of digital outlets including Telstra T-Box, iTunes, Sony Playstation, Fetch and Foxtel Box Office has ensured a financial result that exceeded expectations. Roadshow Television enjoyed another strong year with performance in line with expectations.

Film Production and Music

The Company retained its equity accounted investment in Village Roadshow Entertainment Group ("VREG") which consists of Village Roadshow Pictures and Concord Music Group.

Village Roadshow Pictures is one of the leading independent producers of Hollywood movies with 68 film releases generating over US\$10 billion in worldwide box office revenues and 23 number one box office openings. Concord Music Group is one of the world's largest independent record companies and music publishers, with over 8,000 commercially available album-length master recordings and a catalogue of over 14,000 owned and administered song copyrights.

- A: *Happy Feet Two*
- B: *Sherlock Holmes: A Game Of Shadows* at Village Cinemas Gold Class
- C: Village Mobile Ticketing
- D: Village Cinemas Candy Bar
- E: *Harry Potter And The Deathly Hallows Part 2*
- F: Village Digital 3D
- G: *Pirates Of The Caribbean – On Stranger Tides*



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VREG's future films either in production or pre-production are amongst the strongest line up in its 14 year history:

- *Happy Feet Two 3D* – George Miller is completing the sequel to the much loved and very successful *Happy Feet* which was released in 2006 and grossed US\$385 million at the global box office;
- *Sherlock Holmes: A Game Of Shadows* – starring Robert Downey Jr and Jude Law, this is the sequel to the highly successful *Sherlock Holmes* which was released in December 2009 and grossed over US\$523 million at the global box office;
- *Dark Shadows* – directed by Tim Burton and starring Johnny Depp, this picture is currently slated for release in May 2012 and is anticipated to perform strongly with potential for sequels;
- *Lucky One* – directed by Scott Hicks and starring Zac Efron who plays a marine returning to North Carolina after serving three tours in Iraq to search for the unknown woman he believes was his good luck charm during the war;
- *The Great Gatsby* – a 3D adaptation of F. Scott Fitzgerald's classic novel starring Leonardo DiCaprio and directed by Baz Luhrmann;
- *Gangster Squad* – based on the struggle between the Mafia and the LA police set in the 1940's and 1950's starring Sean Penn, Ryan Gosling and Josh Brolin; and
- *Fury Road*, a *Mad Max* sequel – directed by George Miller and set for production in early 2012.

VREG has continued to investigate a number of strategic initiatives to strengthen its balance sheet and augment its long term ability to fund additional future film and music projects. This includes an equity injection by a new partner or the potential for VREG to be listed on an international stock exchange.

The Future

The past year has seen a continuation of global commercial turbulence and a number of significant adverse weather events in Australia. Against this background **the quality of the Company's businesses have continued to shine, demonstrating the Board's confidence in the future.**

In addition to solid operating results from the Company's portfolio of entertainment businesses, the VRL group is well placed to take advantage of a number of growth opportunities. This includes further developing digital strategies in our core businesses from mobile ticketing applications at our cinemas to various forms of digital

distribution of film product and online sales of tickets by MyFun to our theme parks and other attractions.

We are continuing to assess growth opportunities with theme park options both domestically and internationally. In addition VREG has opened a Beijing office to co-produce local Chinese film product.

The results for the year have been possible due to the resilience and hard work of the Company's management and staff. **Our customers and patrons are looking to buy low cost escapes from their day to day worries and we are in the business of selling them that entertainment.**

The Company's theme parks have new attractions rolling out and one would hope the coming summer will not see a repeat of the recent extreme rainfall and flooding. In addition an exciting film line up including both International and Australian releases augurs well for cinema attendances in the coming months. All divisions are in commercially robust positions and focussed on servicing their customers to give them an enjoyable entertainment experience and, in the process, generate a healthy cash flow.

Despite recent economic and climatic turbulence, **shareholders can be confident that the Company is conservatively geared, its businesses are strong, and the future looks bright.**

We continue with our efforts to operate our businesses in a responsible environmental and social framework whilst continuing to maximise long term shareholder value. Our sustainability initiatives are embedded in the operating businesses and information and reporting continues to be available on the Company website at www.villageroadshow.com.au.

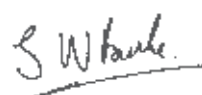
The Executive Directors on behalf of the Board wish to thank the dedicated and talented staff and management for their on-going contribution to the success of VRL. We also thank our customers and the suppliers of our different businesses for their support and most especially we thank you, our shareholders, for your continued backing throughout the year.



Robert G. Kirby
Chairman



John R. Kirby
Deputy Chairman



Graham W. Burke
Chief Executive Officer

CORPORATE DIRECTORY

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INVESTOR INQUIRIES

To ensure shareholders and other interested parties can keep up to date on the Company, Village Roadshow Limited's website contains information on the Company including its business unit profiles, result announcements, stock exchange releases and other information for investors. 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 Registry

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