



# 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.**



VILLAGE ROADSHOW LIMITED

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.



## 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 it's 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*



VILLAGE ROADSHOW LIMITED

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](http://www.villageroadshow.com.au).

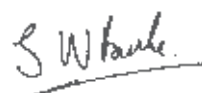
The Executive Directors on behalf of the Board wish to thank the dedicated and talented staff and management for their on-going contribution to the success of VRL. We also thank our customers and the suppliers of our different businesses for their support and most especially we thank you, our shareholders,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



**Robert G. Kirby**  
Chairman



**John R. Kirby**  
Deputy Chairman



**Graham W. Burke**  
Chief Executive Officer



# FINANCIAL REPORT 2011

VILLAGE ROADSHOW LIMITED ABN 43 010 672 054

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# DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2011.

## CORPORATE INFORMATION

Village Roadshow Limited ("the Company" or "VRL") is a company limited by shares that is incorporated and domiciled in Australia. The registered office and principal administrative office of the Company is located at Level 1, 500 Chapel Street, South Yarra, Victoria 3141.

## DIRECTORS AND SECRETARIES

The names of the Directors and Secretaries 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 D. Jonson  
D. Barry Reardon  
Peter M. Harvie  
David J. Evans  
Robert Le Tet  
Timothy M. Antonie (from 1 December 2010)

### Company Secretaries:

Shaun L. Driscoll  
Julie E. Raffé (from 29 April 2011)  
Philip S. Leggo (to 29 April 2011)

The qualifications and experience of the Directors and Secretaries and the special responsibilities of the Directors are set out below.

### Directors:



#### Robert G. Kirby

*Chairman, Executive Director, Age 60*

First joined the Board on 12 August 1988, reappointed 5 July 2001. Holds a Bachelor of Commerce with over 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 film production. Chairman of Village Roadshow Limited 1994 to 1998, 2002 to 2006 and from June 2010. Deputy Chairman Village Roadshow Limited 1990 to 1994, 1999 to 2002 and 2006 to June 2010. Deputy Chairman of Village Roadshow Corporation Pty. Ltd. Currently Deputy Chair of Peter MacCallum Cancer Foundation, Victoria Board of Directors and Member of Patrons Council, Epilepsy Foundation and Patron of Victorian Arts Centre.

Member Executive Committee  
Chairman Nomination Committee

*Other Listed Public Company Directorships in previous 3 years:*  
Austereo Group Limited, from 19 June 2001 to 7 April 2011



#### John R. Kirby

*Deputy Chairman, Executive Director, Age 64*

Member of the Board since 12 August 1988. Holds a Bachelor of Economics from the University of Tasmania. Member of the Australian Society of Accountants. Chairman Village Roadshow Limited 1990 to 1994, 1999 to 2002 and 2006 to June 2010. Deputy Chairman of Village Roadshow Limited 1994 to 1998, 2002 to 2006 and from June 2010. Chairman of Village Roadshow Corporation Pty. Ltd., the majority shareholder of Village

Roadshow Limited. He is a member of The Salvation Army Territorial Advisory Board and Red Shield Appeal Chairman. He is also currently a Board member of Progressive Business in Victoria, the Jigsaw Foundation at the Royal Children's Hospital and is the 2011 President of the Australian Cinema Pioneers. He is Deputy Chairman of The Conversation Media Group and is also on the Board of the Surf Life Saving Australia Foundation. Mr. Kirby has held a wide number of executive positions in cinema, exhibition, film distribution, radio, theme parks, construction and strategy over his 40 years within the Village Roadshow Group. He has been, and still is, at the forefront of many of the Group's successful growth outcomes today. Former member of the Victorian Advisory Council of the Australian Opera, former Chairman of Sponsors Appeal Committee of the Victorian College of the Arts, former Deputy Chairman of the Interim Council of the

National Film and Sound Archive, and a former member of the Victorian Premier's Multi Media Task Force.

Member Executive Committee

*Other Listed Public Company Directorships in previous 3 years:*  
Austereo Group Limited, from 19 January 2001 to 7 April 2011



#### Graham W. Burke

*Chief Executive Officer, Executive Director, Age 69*

Member of the Board and Chief Executive Officer since 9 September 1988. Chief Executive Officer of 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 the late 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 Village Roadshow Corporation Pty. Ltd.

Chairman Executive Committee

Member Remuneration Committee to 30 November 2010

*Other Listed Public Company Directorships in previous 3 years:*  
Austereo Group Limited, from 19 January 2001 to 7 April 2011



#### Peter D. Jonson

*Independent Non-Executive Director, Age 65*

Member of the Board since 24 January 2001 and Lead Independent Director from 26 November 2008. Holds a Bachelor of Commerce and Master of Arts degrees from Melbourne University and 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. Founding Chair Australian Institute for Commercialisation Ltd (2002-2007) and Chair of Australian Government's Cooperative Research Centre Committee (2005-2010).

Chairman Remuneration Committee  
Member Audit & Risk Committee

*Other Listed Public Company Directorships in previous 3 years:*  
Bionomics Ltd, from 11 November 2004 to November 2009  
Pro Medicus Limited, from October 2000 to November 2010  
Metal Storm Limited, from February 2006 to February 2009.



#### D. Barry Reardon

*Independent Non-Executive Director, Age 80*

Member of the Board since 24 March 1999. Holds a Bachelor of Arts, Holy Cross College and MBA, Trinity College. Over 40 years in the motion picture business. Formerly Executive Vice President and Assistant to the President, Paramount Pictures. Between 1975 and 1978, Mr. Reardon held the positions of Executive Vice President, General Cinema Theatres and between 1978 and 1999 was 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 Remuneration Committee

Member Audit & Risk Committee to 30 November 2010

*Other Listed Public Company Directorships in previous 3 years:*  
Sundance Cinema Corporation Inc, since January 2006



#### Peter M. Harvie

*Non-Executive Director, Age 72*

Member of the Board since 20 June 2000. Executive Chairman, Austereo Group Limited with over 45 years experience in the advertising, marketing and media industries. On 7 April 2011 Mr. Harvie became a Non-Executive Director of the Company when Austereo ceased to be part of the consolidated entity. First entered radio in 1993 as Managing Director of the Triple M network before becoming Managing Director of

# DIRECTORS' REPORT (CONTINUED)

## DIRECTORS AND SECRETARIES (continued)

**Directors:** (continued)

**Peter M. Harvie** (continued)

the enlarged group following its merger with Austereo in 1994. Founder and Managing Director of the Clemenger Harvie advertising agency from 1974 to 1993. Director Clemenger BBDO 1975 to 1992. Director Mazda Foundation Limited, Australian International Cultural Foundation and the Australian National Maritime Museum, and trustee of The Commando Welfare Trust.

Member Executive Committee to 7 April 2011

*Other Listed Public Company Directorships in previous 3 years:*

Austereo Group Limited, from 16 January 2001 to delisting on 16 May 2011 (following takeover)

Southern Cross Media Group Limited, since 1 August 2011



**David J. Evans**

*Independent Non-Executive Director, Age 71*

Member of the Board since 2 January 2007. Over 40 years international business experience in media and entertainment industries including CEO of GTV Channel Nine in Melbourne, President, COO at Fox Television and Executive Vice President News Corporation, both in the United States, including Sky Entertainment Services Latin America. Most recently President and CEO of Crown Media Holdings Inc, previously

Hallmark Entertainment Networks, since 1999. Serves on the board of British Sky Broadcasting Group Plc and is a director of Village Roadshow Entertainment Group Limited.

Member Nomination Committee

*Other Listed Public Company Directorships in previous 3 years:*

Fairfax Media Limited (formerly John Fairfax Holdings Limited), from 22 June 2005 to 9 November 2009

British Sky Broadcasting Group Plc, since 21 September 2001



**Robert Le Tet**

*Independent Non-Executive Director, Age 67*

Member of the Board since 2 April 2007. Holds a Bachelor of Economics Degree from Monash University and is a qualified C.P.A. Founded and currently Executive Chairman of venture capital company, Questco Pty. Ltd. Over 35 years' experience in broadcasting, film and entertainment industries, including Director of television production company Crawford Productions. Formerly Deputy Chairman of

radio station EONFM and 20 years as Chairman and CEO of Australia's largest film and advertising production company, The Filmhouse Group. Previously Chairman of radio stations 3UZ and 3CV, WSA Communications Pty. Ltd. and Entertainment Media Pty. Ltd and Chairman of Metropolitan Ambulance Service in Melbourne. Served as Board Member of the Australian Broadcasting Authority and Chairman of its Audit Committee.

Chairman Audit & Risk Committee

Member Nomination Committee

*Other Listed Public Company Directorships in previous 3 years:*

Nil.



**Timothy M. Antonie**

*Independent Non-Executive Director, Age 45*

Member of the Board since 1 December 2010. Holds a Bachelor of Economics degree (major in accounting) from Monash University and qualified as a Chartered Accountant. Over 20 years experience in investment banking focussing on large scale mergers and acquisitions and capital raisings in the Australian media and entertainment, retail and consumer sectors. Managing Director of UBS Investment Banking

from 2004 to 2008.

Member Audit & Risk Committee since 1 December 2010

Member Remuneration Committee since 1 December 2010

*Other Listed Public Company Directorships in previous 3 years:*

Premier Investments Limited, since 1 December 2009

## Company Secretaries:

**Shaun L. Driscoll**

*Group Company Secretary, Age 56*

Holds a Bachelor of Arts and Bachelor of Laws from University of Natal and is a Fellow of the Institute of Chartered Secretaries. Formerly Co Company Secretary & Group Manager Corporate Services, Mr. Driscoll has diverse industry experience including over 20 years with Village Roadshow.

Chairman of the Group's Corporate Governance & Compliance Committee, Secretary of all Village Roadshow group companies and Director of all of Village Roadshow's wholly owned subsidiaries.

**Julie E. Raffae**

*Chief Financial Officer, Age 49*

Fellow of Institute of Chartered Accountants, Fellow of Financial Services Institute of Australia, and member of Australian Institute of Company Directors. Formerly an audit manager at Horwath & Horwath in Australia and United Kingdom, Ms. Raffae has over 20 years experience in the media and entertainment industries. Director of publicly listed Signature Capital Investments Ltd. Member of the Company's Executive Committee and a Director of all of Village Roadshow's wholly owned subsidiaries. Appointed Secretary of the Company on 29 April 2011.

**Philip S. Leggo**

*Formerly Group Company Secretary to 29 April 2011, Age 57*

A Chartered Accountant holding a Bachelor of Business Studies from Royal Melbourne Institute of Technology and a Fellow of the Australian Institute of Company Directors, Mr. Leggo has over 20 years experience in the media and entertainment industries. Prior to Mr Leggo ceasing employment with the Company on 29 April 2011, he was a member of the Company's Executive Committee and was a Secretary and Director of all of Village Roadshow's major subsidiaries.

## Relevant Interests:

As at the date of this report, the relevant interests of the Directors in the shares (and "in-substance options" which are included in the totals shown for ordinary shares) and options of the Company and related bodies corporate were as follows:

NAME OF DIRECTOR	Ordinary Shares	Ordinary Options
Robert G. Kirby	77,859,352	-
John R. Kirby	77,859,352	-
Graham W. Burke	77,859,352	5,742,904
Peter D. Jonson	60,778	-
D. Barry Reardon	28,552	-
Peter M. Harvie	500,300	-
David J. Evans	92,038	-
Robert Le Tet	11,683	-
Timothy M. Antonie	2,957	-

Messrs R.G. Kirby, J.R. Kirby and G.W. Burke each have a relevant interest in 100% of the issued capital of:

- Village Roadshow Corporation Pty. Limited, the immediate parent entity of the Company; and
- Positive Investments Pty. Limited, the ultimate parent entity of the Company.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its controlled entities ("the Group", "VRL group" or "consolidated entity") during the financial year were:

- Theme park and water park operations ("Theme Parks");
- Cinema exhibition operations ("Cinema Exhibition");
- Film, DVD and video distribution operations ("Film Distribution");
- FM radio operations ("Radio"); and
- Aquariums and other attraction operations ("Attractions").

The Attractions and Radio divisions were sold during the year ended 30 June 2011 – refer to Note 31 of the Financial Report.

## OPERATING AND FINANCIAL REVIEW

### Overview:

The VRL group recorded 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. Attributable profit after tax amounted to \$185.5 million compared to \$94.8 million in the

## OPERATING AND FINANCIAL REVIEW (continued)

### Overview: (continued)

prior period, after including material items and discontinued operations. Earnings before interest, tax, depreciation & amortisation ("EBITDA") from operations of \$140.5 million was down on the prior period result of \$147.0 million mainly due to the Queensland floods and months of record rain on the Gold Coast as well as, to a lesser extent, absence of the prior period's outstanding film product in the Cinema Exhibition division.

Discontinued operations results for the year ended 30 June 2011 relate to the disposals of the Attractions and Radio divisions effective from 26 December 2010 and 31 March 2011 respectively, which resulted in total attributable profit after tax from discontinued operations of \$157.4 million. Discontinued operations results for the year ended 30 June 2010 resulted in attributable profit after tax of \$43.2 million, comprising the sale of the VRL group's operations in Greece and the Czech Republic, as well as the restated trading results for the Radio and Attractions businesses.

Material items of income and expense for the year ended 30 June 2011 totalled a loss of \$3.2 million after tax. This comprised pre-tax losses of \$24.8 million for impairments and provisions relating to non-current assets and an onerous lease (including \$16.5 million in relation to the Australian and USA Theme Parks operations, and \$8.3 million for the Cinema Exhibition operations); \$32.3 million for an equity-accounted loss on net investment (in relation to the remaining carrying value of Village Roadshow Entertainment Group ("VREG")); \$4.4 million for restructuring costs, and a pre-tax profit of \$1.3 million in relation to unrealised mark-to-market gains on interest rate and foreign currency derivatives. The total net income tax benefit included in material items for the year ended 30 June 2011 was \$57.1 million. For the year ended 30 June 2010, there was a profit from material items after tax of \$16.7 million.

Highlights for the period ended 30 June 2011 included:

- Repayment of the Corporate debt facility in full, putting VRL in a strong position;
- Sale of the Company's non-core businesses: Austereo Group Limited ("Austereo") for \$2.15 per share and Sydney Attractions Group, the proceeds of which were both taken in cash;
- Successful share buyback and capital restructure culminating in one class of share;
- Announcement of \$1.00 per share cash return to shareholders, which was subsequently paid in July 2011;
- Theme Parks delivered their second highest EBITDA result ever, despite the highest number of wet days on record and Queensland floods;
- Cinema Exhibition result was down 8% compared to prior year mostly due to one-off phenomenon of *Avatar* in 2010;
- Film Distribution achieved second best year in history as a result of powerful product and marketing results;
- Payment of an interim dividend of 8.0 cents per share and special dividend of 12.0 cents per share in April 2011;
- Announcement of approval from NSW Government for a proposed new Wet'n'Wild water park in Sydney, subject to planning permits and financing;
- Independent review of the corporate cost structure by Ernst & Young resulting in a restructure of the corporate costs and savings of approximately \$10 million across the Group; and
- VREG's global franchises of *Happy Feet 2* and *Sherlock Holmes 2* ready for November/December 2011 release.

The finalisation of the divestment of the Attractions and Radio divisions during the year provided the ability to repay the Group's corporate debt facility and return \$1.00 per share to shareholders in July 2011. This still leaves the Group with strong cash reserves to explore smart growth while maintaining fiscal strength and ongoing dividend payments.

During the year ended 30 June 2011, a review of the corporate overhead costs was undertaken, which 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 in the year ending 30 June 2012.

### Theme Parks:

The Theme Parks division recorded an all time high in attendance and the second highest EBITDA in the history of the division, overcoming record rainfall, the disastrous Queensland floods and a Category 5 cyclone in Queensland to finish the fiscal year at \$87.2 million in EBITDA. Whilst down on the previous record year of \$96.0 million in EBITDA, the Company considers this to be a very good result in light of the extreme weather conditions.

At the Gold Coast Theme Parks, in order to offset the impact of the inclement weather during the year, there was an on-going focus on Season Pass (VIP) sales (a record year in sales), admissions yield increases and a disciplined approach to expense control. Various new attractions were opened progressively during the year, and the special events at Warner Bros. Movie World have proven to be very popular with customers.

At the USA Water Parks, Wet'n'Wild Phoenix, Arizona, reopened for its second full operating season in March 2011, with strong season pass sales and the world premier of the new Constrictor water slide. At Wet'n'Wild Hawaii, the performance was down on the previous fiscal year, however the VRL group has reacted in a proactive manner to offset the impact of the economic issues in the core market, and the slow recovery of the tour and travel market.

The VRL group is also progressing with plans to develop the new Wet'n'Wild park in Sydney. The planning process is in the final stages of development approval, and site development is currently expected to commence early in the 2012 calendar year. In addition to the Sydney development, the VRL group is continuing to explore international opportunities.

### Cinema Exhibition:

The Cinema Exhibition division EBITDA before discontinued operations and material items for the year ended 30 June 2011 was \$46.4 million, compared to \$46.6 million for the prior period, due to lower admissions in the current year which were 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. The Australian Cinema exhibition attendances were 9% lower than the prior year which was mainly as a result of the previous period's one-off phenomenon of *Avatar*, which was the highest ever grossing film in Australia.

The Australian Cinema division maintained its focus on technology and development with the release of the Village Mobile Ticketing site, which now gives movie goers the ability to buy cinema tickets online rather than having to queue to purchase tickets. The roll out of digital projectors continued throughout the year and is on track for almost full deployment by the end of FY2012. To date over 50% of screens have been converted to digital.

In the USA circuit, a new site in Scottsdale, Arizona opened successfully 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. Further negotiations are underway for further new sites in strategic locations to maximise the circuit's return potential. Attendances in the Singapore circuit were up 2.9% on the prior year, and in May 2011, following the settlement of legal proceedings with the former sub-tenant, the cinema operations in Belfast, United Kingdom were re-acquired.

### Film Distribution:

For the Film Distribution division, EBITDA excluding discontinued operations and material items for the year was \$50.5 million, consistent with the prior year result of \$50.0 million. Operating profit before tax and material items of \$35.5 million was slightly down on the prior year result of \$36.6 million mainly as a result of increased interest costs.

Roadshow Films continued to be the leading film distributor with a market share of 23%, which was maintained off the back of a solid line up of films showcased throughout the year, and Warner Bros. continued to be a supplier of strong performing product. There are a number of highly anticipated Australian and international releases scheduled for the year ending 30 June 2012.

Roadshow Entertainment began the first half of the year slower than predicted but recovered well in the second half to exceed prior year results, and the digital market grew steadily in the period. Roadshow remained the market's leading distributor with a market share of 16.3%.

### Film Production and Music:

The VRL group recognised a loss of \$32.3 million during the year in relation to the carrying value of its loan to VREG. The loan was converted to preference shares during the year, but retains all major commercial aspects of the original loan, including its interest rate. In addition, the remaining carrying value of the preference shares was determined to be part of the net investment in VREG for accounting purposes during the year, and as a result, further unrecognised equity-accounted losses of VREG were applied against this amount, reducing the carrying value to nil as at 30 June 2011. The \$32.3 million loss has been included in material items.

VREG has a number of major films due for release in the year ending 30 June 2012, and has also continued to work on a number of strategic initiatives to strengthen its balance sheet and augment its long-term ability to continue to fund future film and music projects. This includes the potential to be listed on an international stock exchange.

# DIRECTORS' REPORT (CONTINUED)

## OPERATING AND FINANCIAL REVIEW (continued)

### Net Debt and Capital Management:

Mainly as a result of the sale of the Attractions and Radio divisions during the year ended 30 June 2011, as disclosed in Note 31 of the Financial Report, the net debt of the VRL group reduced from \$827.1 million as at 30 June 2010 to \$53.5 million as at 30 June 2011.

During the year ended 30 June 2011, the Company conducted an on-market buyback of approximately 7.3 million ordinary shares and 7.7 million preference shares for a total outlay of \$41.4 million, following which shareholders approved the change of the rights of preference shareholders to be the same as the rights of ordinary shareholders. The conversion of the preference shares occurred on 16 November 2010.

In July 2011, following approval by shareholders, a distribution of \$1.00 per share was paid to shareholders, which comprised 80.0 cents per share as a fully franked distribution and 20.0 cents per share as a capital reduction.

### DIVIDENDS

In April 2011, a partly-franked interim dividend of 8.0 cents per ordinary share and a partly-franked special dividend of 12.0 cents per ordinary share was paid. In the year ended 30 June 2010, a fully-franked final dividend of 6.0 cents per ordinary share and 9.0 cents per A Class preference share was paid. Subsequent to 30 June 2011, the VRL Board has declared a fully-franked final dividend of 8.0 cents per ordinary share, which will be paid in October 2011.

### EARNINGS PER SHARE

Basic earnings per share were 135.85 cents (2010: 72.88 cents), basic earnings per share before discontinued operations were 20.57 cents (2010: 36.62 cents), and basic earnings per share before material items and discontinued operations were 22.89 cents (2010: 22.63 cents). There were no potential ordinary shares that were dilutive in the years ended 30 June 2011 or 30 June 2010. Total earnings per share before material items and discontinued operations were 20.09 cents (2010: 18.51 cents), based on a weighted average total of 155,591,590 (2010: 189,282,366) ordinary and A Class preference shares.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total equity of the consolidated entity decreased by \$19.5 million to \$666.7 million during the year. This was attributable to reductions in contributed equity of \$29.9 million (mainly resulting from share buybacks), reserves of \$237.0 million (mainly resulting from the transfer of the controlled entity share sale and buyback reserve of \$220.6 million to retained earnings, as a result of the disposal of the investment in Austereo), and non-controlling interests of \$128.5 million (also due to the disposal of the investment in Austereo), which was almost totally offset by an increase in retained earnings of \$375.9 million.

Net profit attributable to members of the parent was \$185.5 million, but after accounting for dividends provided for and paid during the year of \$30.2 million, and the transfer to retained earnings of net reserve amounts of \$220.6 million, retained earnings of the consolidated entity increased by \$375.9 million (from accumulated losses of \$42.2 million to retained earnings of \$333.7 million).

### 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 consolidated entity since the end of the financial year.

### (a) Shareholder Distribution of \$1.00 per share paid in July 2011:

Following approval by shareholders in general meeting, a distribution of \$1.00 per ordinary share, totalling \$151.5 million, was paid on 19 July 2011. This cash distribution comprised a fully-franked distribution of \$0.80 per share, and a capital reduction amount of \$0.20 per share.

### (b) Loan amounts provided to Village Roadshow Entertainment Group (Asia) Limited ("VREG Asia") subsequent to year-end:

Refer to Note 11 of the Financial Report for details relating to the loan and option arrangements with VREG Asia, including the amounts provided to VREG Asia under the loan facility subsequent to 30 June 2011.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In accordance with the Group's strategy of continually improving each individual division's operating performance through the continued development of innovative and competitive products and services, it is anticipated that the Group's diversified businesses will continue to operate profitably in the future.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The VRL group is subject to the *National Greenhouse and Energy Reporting Act* for the year ended 30 June 2011, however this will not result in any material impact to the VRL group.

## SHARE OPTIONS

Details of unissued shares under option, and shares issued as a result of the exercise of options, are set out in Note 19 of the Financial Report. Details of share, option and "in-substance option" transactions in relation to Directors of the consolidated entity are set out in Notes 25 and 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 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.

## REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is set out on pages 13 to 25.

## DIRECTORS' MEETINGS

The following table sets out the attendance of Directors at formal Directors' meetings and committee of Directors' meetings held during the period that the Director held office and was eligible to attend:

NAME OF DIRECTOR	NUMBER OF MEETINGS HELD WHILE IN OFFICE				NUMBER OF MEETINGS ATTENDED			
	Formal	Audit & Risk	Remuneration	Nomination	Formal	Audit & Risk	Remuneration	Nomination
Robert G. Kirby	12	-	-	-	12	-	-	-
John R. Kirby	12	-	-	1	12	-	-	1
Graham W. Burke	12	-	1	-	12	-	1	-
Peter D. Jonson	12	4	2	-	12	4	2	-
D. Barry Reardon	12	1	2	-	10	1	2	-
Peter M. Harvie	11	-	-	-	10	-	-	-
David J. Evans	12	-	-	1	10	-	-	1
Robert Le Tet	12	4	-	1	12	4	-	1
Timothy M. Antonie	7	3	1	-	7	3	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.

## DIRECTORS' REPORT (CONTINUED)

### TAX CONSOLIDATION

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

### AUDITOR INDEPENDENCE

The Auditor's Independence Declaration to the Directors of the Company, which forms part of this Directors' Report, is set out on page 12 below.

### NON-AUDIT SERVICES PROVIDED BY AUDITOR

Details of the non-audit services provided by the auditor are set out in Note 27 of the Financial Report. The non-audit services summarised in Note 27 were provided by the VRL group's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

### ROUNDING

The amounts contained in this report and in the financial statements have been rounded (where applicable) to the nearest thousand dollars (unless stated otherwise) 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 7th day of September 2011.



G.W. Burke  
Director

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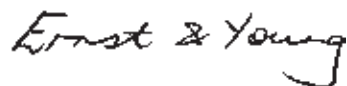
## AUDITOR'S INDEPENDENCE DECLARATION



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### AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF VILLAGE ROADSHOW LIMITED

In relation to our audit of the financial report of Village Roadshow Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Rodney Piltz  
Partner

7 September 2011

Liability limited by a scheme approved under Professional Standards Legislation.

# REMUNERATION REPORT

The Directors of the Company present the Remuneration Report (the "Report") which details the compensation arrangements in place for Directors and senior managers of the Company and of other senior managers of the VRL consolidated entity (the "Group") for the year ended 30 June 2011 in accordance with Section 300A of the *Corporations Act 2001* ("the Act").

The relevant share-based payments for these Key Management Personnel ("KMP") are set out in Note 26 of the Financial Report.

The information provided in this Report has been audited as required by Section 308(3C) of the Act. The Report forms part of the Directors' Report.

## A. EXECUTIVE SUMMARY

### 1. Categories of Directors and Senior Management

The relevant Directors and senior managers to whose compensation arrangements this Report refers have been segregated into the following categories:

#### Categories and groupings of directors and executives referred to in Remuneration Report

Messrs Robert Kirby, John Kirby and Graham Burke = VRL Executive Director KMP	Executive Director KMP	Executive KMP	"Key Management Personnel" of the Village Roadshow Limited Group
Mr. Peter Harvie (to 7 April 2011)		= All members of Village Roadshow Limited's Executive Committee	
All other non-Director members of Village Roadshow Limited's Executive Committee	Executive Committee KMP		
All Non-Executive Directors of Village Roadshow Limited (including Mr Peter Harvie from 7 April 2011)		Non-Executive Director KMP	
Top 5 Most Highly Remunerated Executives of the Company, Village Roadshow Limited, and of the Village Roadshow consolidated group		Drawn from Executive Committee KMP	

#### (a) Key Management Personnel ("KMP")

Those persons who are defined as Key Management Personnel of the VRL group are those persons with authority and responsibility for planning, directing and controlling the activities of the VRL Group, and are referred to in this report as "KMP".

#### (b) Executive KMP

All Executive KMP are the members of the Village Roadshow Limited Executive Committee. For Village Roadshow Limited, these Executive KMP are further split into 2 categories:

##### (i) Executive Director KMP

The Company's Executive Directors are referred to in this Report as "Executive Director KMP". Of these 4 Executive Director KMP during the year, 3 Executive Directors, being Messrs. Robert G. Kirby, John R. Kirby and Graham W. Burke, have their remuneration set and are paid by Village Roadshow Limited and are referred to as "VRL Executive Director KMP". Mr. Peter M. Harvie's remuneration until 7 April 2011, when Mr. Harvie became a Non-Executive Director KMP, was set and paid by Austereo Group Limited ("Austereo"), previously a separately listed company on the Australian Securities Exchange ("ASX") and a controlled entity and part of the VRL Group until April 2011.

##### (ii) Executive Committee KMP

The non-director senior executives who are members of the Village Roadshow Limited Executive Committee are referred to in this Report as the "Executive Committee KMP", the 5 most highly remunerated of which during the year were Messrs. Timothy Carroll, Simon T. Phillipson, Philip S. Leggo, David Kindlen and Ms. Julie E. Raffe.

The names, positions, dates of appointment, and dates of cessation (if ceasing up to 30 June 2011), of these Executive KMP for the 2011 and 2010 financial periods are as follows:

Name	Title/Position	Appointment	Cessation	Category
Robert G. Kirby	Executive Chairman <sup>^</sup>	3 June 2010	-	VRL Executive Director KMP
John R. Kirby	Executive Deputy Chairman <sup>#</sup>	3 June 2010	-	VRL Executive Director KMP
Graham W. Burke	Managing Director <sup>#</sup>	9 September 1988	-	VRL Executive Director KMP
Peter M. Harvie	Executive Director <sup>+</sup>	20 June 2000	7 April 2011	Executive Director KMP
Clark J. Kirby	Director Business Development	1 December 2010	-	Executive Committee KMP
Philip S. Leggo	Group Company Secretary	23 February 1993	29 April 2011	Executive Committee KMP
Julie E. Raffe	Chief Financial Officer	28 September 1992	-	Executive Committee KMP
Simon T. Phillipson	General Counsel	13 May 1996	-	Executive Committee KMP
Timothy Carroll	Chief Marketing Officer	6 March 2000	29 April 2011	Executive Committee KMP
Peter J. Davey	Managing Director Corporate Development	1 December 2005	30 June 2010	Executive Committee KMP
David Kindlen	Chief Information Officer	1 December 2006	-	Executive Committee KMP

<sup>#</sup> Executive Directors since 1988

<sup>^</sup> Executive Director since July 2001

<sup>+</sup> Ceased as Executive Director on 7 April 2011 and became Non-Executive Director

# REMUNERATION REPORT (CONTINUED)

## A. EXECUTIVE SUMMARY (continued)

### 1. Categories of Directors and Senior Management (continued)

#### (c) Non-Executive Director KMP

Other than the Executive KMP referred to above, the Group's other KMP are referred to as "Non-Executive Director KMP". The names, dates of appointment, and dates of cessation of these Non-Executive Director KMP during the 2011 and 2010 financial periods are as follows:

Name	Title/Position	Appointment	Cessation	Category
Peter D. Jonson	Independent Director	24 January 2001	-	Non-Executive Director KMP
D. Barry Reardon	Independent Director	24 March 1999	-	Non-Executive Director KMP
David J. Evans	Independent Director	2 January 2007	-	Non-Executive Director KMP
Robert Le Tet	Independent Director	2 April 2007	-	Non-Executive Director KMP
Timothy M. Antonie	Independent Director	1 December 2010	-	Non-executive Director KMP
Peter M. Harvie	Non-Executive Director	7 April 2011*	-	Non-Executive Director KMP

\* Executive Director from 20 June 2000 to 7 April 2011

### 2. Remuneration Outline

The Company's movie related businesses are in an industry that is highly intensive, complex and competitive. Industry specific challenges including technology, financing and marketing have changed dramatically over the past few years requiring constant attention with new release patterns and windows for movies having a dramatic effect on the overall financial performance and profit/loss on any given picture. This puts enormous pressure on the executives in the group to maintain optimum performance and is dissimilar to most other businesses. Executive remuneration and bonuses for these senior executives are based upon performance criteria and other financial objectives which reflect the nature and seniority of their role and unique challenges of the industry.

For the year ended 30 June 2011, the 3 VRL Executive Director KMP received base remuneration and superannuation of \$1,973,399 each, with a CPI increase from the prior year. They were also eligible to earn up to 100% of their base remuneration in the form of an annual short term incentive ("STI") bonus, with 50% of the bonus based on cash flow return on investment ("CFROI"), and 50% based on earnings per share ("EPS") growth relative to the top 300 stocks listed on ASX. The EPS component of the bonus has not previously been determined until approximately September of each year when the results of the ASX 300 EPS numbers were known, and the 2010 EPS component was not accrued at 30 June 2010. However for 2011, both the CFROI and EPS components of the 2011 STI bonus amounts have been accrued. In relation to the year ended 30 June 2011, the CFROI component amounted to \$816,188 each (2010: \$728,375) and the EPS component amounted to \$584,672 each (2010: \$972,075). The 2010 EPS component was paid in the year ended 30 June 2011.

Accordingly the STI amounts shown in the Remuneration tables on pages 15 to 18 are a composite of both bonuses accrued during the financial year and amounts paid during the year for performance in the prior year. For the 2011 year the STI bonus amounts shown in the Remuneration tables include both the CFROI and the EPS components of the 2011 STI bonus as well as the EPS and personal performance components achieved in the prior 2010 year as set out in the table below. Accordingly the STI figures in the Remuneration tables are a composite of various bonuses from different years and are not directly comparable year on year; however by accruing both the CFROI and EPS components from 2011, improved future comparability of STI payments will be possible.

#### ANALYSIS OF 2011 STI BONUS COMPONENTS

Name of 2011 Executive KMP	2011 CFROI accrued	2011 EPS accrued	2011 Personal KPIs paid	2010 EPS paid	2010 Personal KPIs paid
R.G. Kirby	•	•		•	
J.R. Kirby	•	•		•	
G.W. Burke	•	•		•	
P.M. Harvie					
J.E. Raffe	•	•		•	•
S.T. Phillipson	•	•		•	•
C.J. Kirby	•	•			
D. Kindlen	•	•		•	•

P.S. Leggo				•	•
T. Carroll			•		•

Executive Committee KMP can also earn STI bonuses which are based on a mix of the same metrics as bonuses for VRL Executive Director KMP together with specific individual KPIs for each Executive Committee KMP. Similarly to the bonus arrangements for Executive Director KMP, where the component of the bonus, if any, is due and payable, this has been accrued for and reflected in the tables on pages 15 to 18 together with other STI bonus amounts paid during the current and previous year to Executive Committee KMP reflecting their performance for the years ended 30 June 2010 and 2009 respectively. Remaining components of STI bonus payments, such as against personal performance targets, are calculated and accrued between balance date and 31 December each calendar year.

Mr. Peter Harvie was Executive Chairman of Austereo Group Limited until 7 April 2011 and was remunerated by that entity based on the performance of that entity. Mr. Harvie became a Non-executive Director on 7 April 2011.

The CEO, Mr. Graham Burke, is eligible to earn up to 6 million options over ordinary shares over the five years to March 2013. For the maximum number of options to vest, the three year cumulative compound annual growth of normalised EPS and dividend per share ("DPS") must be at least 10% in each of calendar years 2010, 2011 and 2012. If the EPS and DPS cumulative annual growth rate is less than 5% then no options vest, with a sliding scale of vesting of options between 5% and 10% growth on these two measures. This CEO Long Term Incentive Plan was approved by shareholders at a General Meeting on 17 July 2008. 742,904 first tranche EPS options vested and 257,096 ESP options lapsed during the year. Although the first tranche DPS options did not vest in 2011, the DPS hurdle is subject to retesting in 2012 following the clarification of the option terms approved at the General Meeting of shareholders on 29 June 2011.

Other than an allotment of 350,000 shares made on 29 November 2010 at \$2.35 to Ms. Julie Raffe under the Company's Executive Share Plan, there have been no long term incentive plan allocations made during the year or prior year to any Executive KMP.

As part of a corporate cost structure review in early 2011, the Company announced to ASX that a significant reduction of approximately \$3 million in total remuneration costs of the Executive Director KMP would be implemented from 1 July 2011. Specifically VRL's CEO, Mr Graham Burke, will receive a salary of \$2.25 million per annum and will be entitled to a performance bonus capped at a maximum of \$1 million per annum. The bonus hurdles will be the same as Mr Burke's existing CFROI and EPS bonus hurdles, with the VRL Board retaining the right to reset those hurdles. VRL's Executive Chairman, Mr Robert Kirby, will receive a salary of \$2.25 million per annum, with no performance bonus. VRL's Executive Deputy Chairman, Mr John Kirby, will receive a salary of \$1.6 million per annum, with no performance bonus. Each Executive Director will also be entitled to \$50,000 per annum in superannuation and a \$100,000 per annum car allowance in lieu of non-monetary benefits. The effects of this change in Executive Director KMP remuneration and other head office cost reductions will be reflected in future financial periods.

The composition of the Executive KMP changed during the year with Mr. T. Carroll and Mr. P.S. Leggo ceasing employment with the Company on 29 April 2011, and ceasing as KMP from that date. In addition, Mr. C.J. Kirby joined the Executive Committee and became part of KMP on 1 December 2010. Mr. P.M. Harvie also ceased as an Executive Committee member on 7 April 2011 following the sale by the Company of its shareholding in Austereo and Mr. Harvie's re-categorisation as a Non-Executive Director KMP.



# REMUNERATION REPORT (CONTINUED)

## A. EXECUTIVE SUMMARY (continued)

### 2. Remuneration Outline (continued)

#### Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2011

NAME Directors	POSITION from / to (positions do not necessarily co-incide with employment commencement dates)	YEAR	NOTE	SHORT TERM BENEFITS			POST EMPLOYMENT	LONG TERM BENEFITS		TERMIN- ATION BENEFITS	L.T.I. SHARE- BASED PAYMENT	TOTAL	TOTAL % PERFORM- ANCE RELATED PAY
				Salary & Fees	Cash Bonus S.T.I. (and for applicable FY)	Non- monetary Benefits		Other	Super- annuation				
Robert G. Kirby	Executive Chairman since 03/06/2010	2011 %	4, 7	1,921,497 42.42	2,372,935 52.38	141,242 3.12	3,804 0.08	50,000 1.10	-	-	-	4,530,014 100.00	52.38%
John R. Kirby	Executive Deputy Chairman since 03/06/2010	2011 %	7	1,923,399 43.07	2,372,935 53.14	53,999 1.21	-	50,000 1.12	-	-	-	4,465,587 100.00	53.14%
Graham W. Burke	Managing Director since 09/09/1988	2011 %	3, 7	1,923,399 37.93	2,372,935 46.79	320,014 6.31	-	50,000 0.99	-	-	-	5,071,430 100.00	53.92%
<b>VRL Executive Director KMP Subtotals</b>				5,768,295	7,118,805	515,255	3,804	150,000	-	-	-	14,067,031	
Peter M. Harvie	Executive Director from 20/06/2000 to 07/04/11, then Non- Executive Director	2011 %	2, 5	616,190 31.27	-	9,399 0.48	1,234,482 62.6	35,394 1.80	-	-	-	1,970,600 100.00	3.01%
<b>Executive Director KMP Subtotals</b>				6,384,485	7,118,805	524,654	1,238,286	185,394	59,373	164,831	361,803	16,037,631	
Peter D. Jonson	Independent Director since 24/01/2001	2011 %	8	133,314 86.01	-	-	9,688 6.25	11,998 7.74	-	-	-	155,000 100.00	-
D. Barry Reardon	Independent Director since 24/03/1999	2011 %		138,333 100.00	-	-	-	-	-	-	-	138,333 100.00	-
David J. Evans	Independent Director since 02/01/2007	2011 %	8	90,000 75.00	-	-	29,999 25.00	-	-	-	-	119,999 100.00	-
Robert Le Tet	Independent Director since 02/04/2007	2011 %	8	62,523 52.10	-	-	29,999 25.00	27,477 22.90	-	-	-	119,999 100.00	-
Timothy M. Antonie	Independent Director since 01/12/2010	2011 %	8	57,339 81.92	-	-	7,497 10.71	5,161 7.37	-	-	-	69,997 100.00	-
<b>Non-Executive Director KMP Subtotals</b>				481,509	-	-	77,183	44,636	-	-	-	603,328	
<b>Director Subtotals</b>				6,865,994	7,118,805	524,654	1,315,469	230,030	59,373	164,831	361,803	16,640,959	

Notes: refer to page 16

# REMUNERATION REPORT (CONTINUED)

## A. EXECUTIVE SUMMARY (continued)

### 2. Remuneration Outline (continued)

#### Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2011 (continued)

NAME	POSITION from / to (positions do not necessarily co-incide with employment commencement dates)	YEAR	NOTE	SHORT TERM BENEFITS			POST EMPLOYMENT		LONG TERM BENEFITS		TERMINATION BENEFITS	L.T.I. SHARE-BASED PAYMENT	TOTAL % PERFORMANCE RELATED PAY	
				Salary & Fees	Cash Bonus S.T.I. (and for applicable FY)	Non-monetary Benefits	Other	Super-annuation	Retirement Benefits	Incentive Plans				Long Service Leave accrual
Timothy Carroll	Chief Marketing Officer from 06/03/2000 to 29/04/2011	2011 %	1,4,6	432,699 20.61	155,000 FY'11 650,000 FY'10	20,033 0.95	2,155 0.10	20,833 0.99	570,000 27.15	9,659 0.46	-	17,285 0.82	2,099,589 100.00	39.62%
Philip S. Leggo	Group Company Secretary from 23/02/1993 to 29/04/2011	2011 %	1,4,6	356,057 17.39	- FY'11 275,800 FY'10	130,132 6.36	2,493 0.12	49,426 2.41	902,000 44.06	-	-	8,643 0.42	2,047,165 100.00	13.89%
Julie E. Raffae	Chief Financial Officer since 28/09/1992	2011 %	1,4,7	543,226 39.39	198,830 FY'11 424,400 FY'10	73,929 5.36	6,451 0.47	25,000 1.81	-	-	27,246 1.98	80,124 5.81	1,379,206 100.00	51.00%
Simon T. Phillipson	General Counsel since 13/05/1996	2011 %	1,4,7	512,582 46.05	184,652 FY'11 361,372 FY'10	1,182 0.11	3,268 0.29	25,000 2.25	-	-	12,336 1.11	12,740 1.14	1,113,132 100.00	50.20%
David Kindlen	Chief Information Officer since 01/12/2006	2011 %	1,4,7	215,798 43.43	74,232 FY'11 137,798 FY'10	1,182 0.24	2,857 0.58	50,000 10.06	-	-	5,417 1.09	9,555 1.92	496,837 100.00	44.60%
<b>Top 5 Company Executives Subtotals</b>				<b>2,060,362</b>	<b>2,462,082</b>	<b>226,458</b>	<b>17,224</b>	<b>170,259</b>	<b>1,472,000</b>	<b>9,659</b>	<b>44,999</b>	<b>128,347</b>	<b>7,135,929</b>	
Clark J. Kirby	Director, Business Development since 01/12/2010 (as KMP)	2011 %	4	226,690 56.61	158,615 39.61	-	207 0.05	14,939 3.73	-	-	-	-	400,451 100.00	39.61%
<b>Executive Committee KMP Subtotals</b>				<b>2,287,052</b>	<b>2,620,697</b>	<b>226,458</b>	<b>17,431</b>	<b>185,198</b>	<b>1,472,000</b>	<b>9,659</b>	<b>44,999</b>	<b>128,347</b>	<b>7,536,380</b>	
<b>Total for Key Management Personnel for 2011</b>				<b>9,153,046</b>	<b>9,739,502</b>	<b>751,112</b>	<b>1,332,900</b>	<b>415,228</b>	<b>1,472,000</b>	<b>69,032</b>	<b>209,830</b>	<b>544,539</b>	<b>24,177,339</b>	

1. Includes amortised value of share based payment under the Executive Share Plan.

2. Includes amounts paid by Austereo Group Limited in relation to Executive Chairman position to 7 April 2011 and the cost of other non-monetary benefits provided by Austereo Group Limited to Mr. Harvie during the year.

3. Includes amortised value of share based payment from grant of six million options over ordinary shares on 18 July 2008.

4. Includes other non-monetary benefit for cost of compulsory group salary continuance insurance premiums.

5. Includes non-monetary incentive plan benefits for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Group's Executive Share Plans other than those amortised as a share based payment.

6. Includes employment termination payments together with payment of accrued annual and long-service leave amounts.

7. Includes CFRO and EPS STI bonus accruals for 2011 and paid EPS STI bonus payment for 2010. Total remuneration relating to 2011 performance is overstated by the amount of the 2010 STI bonus payment.

8. Includes value of shares issued under the Directors' Share Plan.

# REMUNERATION REPORT (CONTINUED)

## A. EXECUTIVE SUMMARY (continued)

### 2. Remuneration Outline (continued)

#### Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2010

NAME	POSITION from / to (positions do not necessarily co-incide with employment commencement dates)	YEAR	NOTE	SHORT TERM BENEFITS				POST EMPLOYMENT		LONG TERM BENEFITS		TERMIN- ATION BENEFITS	L.T.I. SHARE- BASED PAYMENT	TOTAL	TOTAL % PERFORM- ANCE RELATED PAY
				Salary & Fees	Cash Bonus S.T.I.	Non- monetary Benefits	Other	Super- annuation	Retirement Benefits	Incentive Plans	Long Service Leave accrual				
Directors															
Robert G. Kirby	Executive Chairman since 03/06/2010	2010 %	4,6	1,880,387 50.90	1,588,475 43.00	133,974 3.63	3,576 0.10	50,000 1.35	-	-	-	38,051 1.03	-	3,694,463 100.00	43.00%
John R. Kirby	Executive Deputy Chairman since 03/06/2010	2010 %	4	1,882,175 52.03	1,588,475 43.91	36,465 1.01	-	50,000 1.38	-	-	-	60,523 1.67	-	3,617,638 100.00	43.91%
Graham W. Burke	Managing Director since 09/09/1988	2010 %	3,4	1,882,175 44.67	1,588,475 37.70	235,205 5.58	-	50,000 1.19	-	-	-	40,542 0.96	-	4,213,908 100.00	47.60%
<b>VRLExecutive Director KMP Subtotals</b>				5,644,737	4,765,425	405,644	3,576	150,000	-	-	-	139,116	-	11,526,009	
Peter M. Harvie	Executive Director since 20/06/2000	2010 %	2,8	809,633 87.77	-	11,964 1.30	-	32,488 3.52	-	-	-	52,753 5.72	-	922,458 100.00	5.72%
<b>Executive Director KMP Subtotals</b>				6,454,370	4,765,425	417,608	3,576	182,488	-	-	-	52,753	-	12,448,467	
Peter D. Jonson	Independent Director since 24/01/2001	2010 %		142,202 80.87	-	20,835 11.85	-	12,798 7.28	-	-	-	-	-	175,835 100.00	-
D. Barry Reardon	Independent Director since 24/03/1999	2010 %		150,000	-	-	-	-	-	-	-	-	-	150,000	-
David J. Evans	Independent Director since 02/01/2007	2010 %		98,624 91.74	-	-	-	8,876 8.26	-	-	-	-	-	107,500 100.00	-
Robert Le Tet	Independent Director since 02/04/2007	2010 %		70,000 58.33	-	-	-	50,000 41.67	-	-	-	-	-	120,000 100.00	-
<b>Non-Executive Director KMP Subtotals</b>				460,826	-	20,835	-	71,674	-	-	-	-	-	553,335	
<b>Director Subtotals</b>				6,915,196	4,765,425	438,443	3,576	254,162	-	-	-	52,753	-	13,001,802	

Notes: refer to page 18

# REMUNERATION REPORT (CONTINUED)

## A. EXECUTIVE SUMMARY (continued)

### 2. Remuneration Outline (continued)

#### Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2010 (continued)

NAME	POSITION from / to (positions do not necessarily co-incide with employment commencement dates)	YEAR	NOTE	SHORT TERM BENEFITS			POST EMPLOYMENT		LONG TERM BENEFITS		TERMIN- ATION BENEFITS	L.T.I. SHARE- BASED PAYMENT	TOTAL	TOTAL % PERFORM- ANCE RELATED PAY
				Salary & Fees	Cash Bonus S.T.I.	Non- monetary Benefits	Other	Super- annuation	Retirement Benefits	Incentive Plans				
Timothy Carroll	Chief Marketing Officer since 06/03/2000	2010 %	1,5,6,7	478,786 37.09	600,000 46.48	96,967 7.51	42,761 3.31	25,000 1.94	-	-	-	35,589 2.76	1,290,879 100.00	49.24%
Julie E. Raffae	Chief Financial Officer since 28/09/1992	2010 %	1,4,5, 6,7	503,809 41.43	469,053 38.57	40,360 3.32	97,876 8.05	25,000 2.06	-	-	-	41,521 3.41	1,216,168 100.00	41.98%
Simon T. Phillipson	General Counsel since 13/05/1996	2010 %	1,4,5, 6,7	501,001 46.65	468,889 43.66	1,001 0.09	41,914 3.90	25,000 2.33	-	-	-	23,726 2.21	1,073,928 100.00	45.87%
Philip S. Leggo	Group Company Secretary since 23/02/1993	2010 %	1,4,5,6	427,475 57.31	151,838 20.36	84,659 11.35	2,769 0.37	49,038 6.57	-	-	-	19,189 2.57	745,851 100.00	22.93%
Peter J. Davey	Managing Director, Corporate Development from 01/12/2005 to 30/06/2010 (as KMP)	2010 %	1,5,6	411,841 73.74	100,000 17.90	1,001 0.18	1,571 0.28	14,461 2.59	-	-	-	29,658 5.31	558,532 100.00	23.21%
<b>Total for Key Management Personnel for 2010</b>				2,322,912	1,789,780	223,988	186,891	138,499	-	-	-	149,683	4,885,358	
David Kindlen	Chief Information Officer since 01/12/2006	2010 %	1,4,5,6	225,034 48.37	189,471 40.73	1,524 0.33	2,569 0.55	25,000 5.37	-	-	-	17,795 3.83	465,227 100.00	44.55%
<b>Executive Committee KMP Subtotals</b>				2,547,946	1,979,251	225,512	189,460	163,499	-	-	-	167,478	5,350,585	
<b>Total for Key Management Personnel for 2010</b>				9,463,142	6,744,676	663,955	193,036	417,661	-	-	52,753	584,989	18,352,387	

1. Includes amortised value of share based payment from grant of preference shares under the Executive Share Plan.

2. Includes amounts paid by Austereo Group Limited in relation to Executive Chairman position.

3. Includes amortised value of share based payment from grant of six million options over ordinary shares on 18 July 2008.

4. Includes amount for partial accrued STI bonus amounts for year ended 30 June 2010.

5. Includes STI bonus paid during the year in respect of performance in the prior period.

6. Includes other non-monetary benefit for cost of compulsory group salary continuation insurance premiums.

7. Includes payout of excess accrued annual leave.

8. Includes non-monetary incentive plan benefits for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Group's Executive Share Plans other than those amortised as a share based payment.

# REMUNERATION REPORT (CONTINUED)

The detailed compensation arrangements of all KMP for the years ended 30 June 2011 and 30 June 2010 are set out in the tables on pages 15 to 18.

## B. REMUNERATION STRATEGY AND POLICY

The performance of the Company depends upon the skills and quality of its Directors and senior executives. To prosper the Group must attract, motivate and retain highly skilled Directors and senior executives. The compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Group's overall goals and objectives.

The objectives of the remuneration strategy are to:

- Reinforce the short, medium and long term financial targets and business strategies of the Group as set out in the strategic business plans of the Group and each operating division;
- Provide a common interest between executives and shareholders by aligning the rewards that accrue to executives to the creation of value for shareholders; and
- Be competitive in the markets in which the Group operates in order to attract, motivate and retain high calibre executives.

An explanation of the performance conditions, the methods used to assess whether the performance conditions have been satisfied and why those methods were chosen, including external comparisons, are set out below in the relevant sections of this Report. A discussion of the relationship between the Group's remuneration policy and the Company's performance is set out below in section F of this Report.

To implement this policy and to seek to meet the specified objectives, the Group embodies the following principles in its compensation framework:

- Provide competitive rewards to attract and retain high calibre Directors and senior executives who are dedicated to the interests of the Company;
- Link executive compensation to the achievement of the Group's or the relevant division's financial and operational performance;
- All Executive KMP have a portion of their compensation 'at risk' by having the opportunity to participate in the Company's bonus scheme where specified criteria are met including criteria relating to profitability and cash flow, or other pre-determined personal or divisional performance indicators and benchmarks; and
- Establish appropriate, demanding, personalised performance hurdles in relation to variable executive remuneration and bonuses.

The framework of the Group's compensation policy provides for a mix of fixed pay and variable ("at risk") pay:

- Short term, fixed compensation;
- Other benefits and post-employment compensation such as superannuation; and
- Variable Compensation:
  - Short Term performance Incentive Bonus ("STI"); and
  - Long Term equity-linked performance Incentive ("LTI").

The compensation arrangements of senior executives of the separately ASX listed controlled entity, Austereo Group Limited ("Austereo"), were, until disposal of the Company's shareholding in Austereo in April 2011, determined by that entity's Remuneration Committee.

The Charter of the Company's Remuneration Committee provides for the review and decision on the compensation arrangements of the Company's VRL Executive Director KMP, divisional CEOs and CFOs (except for Austereo) and Executive Committee KMP, including any equity participation by VRL Executive Director KMP and Executive Committee KMP as well as other non-KMP executives. The Committee takes external advice from time to time on the compensation of the VRL Executive Director KMP, Executive Committee KMP and non-KMP senior executives with the overall objective of motivating and appropriately rewarding performance.

The Charter, role, responsibilities, operation and membership of the Remuneration Committee of the Board are set out in the Corporate Governance Statement on pages 25 to 29.

## C. NON-EXECUTIVE DIRECTOR KMP REMUNERATION

### 1. Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain appropriately qualified and experienced Non-Executive Director KMP of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Company operates a complex business in fiercely competitive markets and the duties and obligations of Non-Executive Director KMP are becoming increasingly onerous and time consuming.

### 2. Structure

The Constitution of the Company and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Director KMP shall be determined from time to time by shareholders in general meeting. An amount not exceeding the annual amount so determined is then divided between the Non-Executive Director KMP as agreed.

The latest determination was at the Annual General Meeting held on 24 November 1998 when shareholders approved an aggregate remuneration level for Non-Executive Director KMP of \$800,000 per annum. This aggregate fee level includes any compensation paid to Non-Executive Director KMP who may serve on Boards of the consolidated entity, excluding those Non-Executive Directors of Austereo, who are paid directly by Austereo. Aggregate payments to Non-Executive Director KMP have never exceeded the total pool approved by shareholders.

Each Non-Executive Director KMP receives a fee for being a Non-Executive Director of the Company. An additional fee is also paid for each Board Committee or major subsidiary or affiliate on which a Non-Executive Director KMP sits. The payment of additional fees for serving on a Committee or subsidiary or affiliate Board recognises the additional time commitment required by that Non-Executive Director KMP.

To preserve the independence and impartiality of Non-Executive Director KMP, no element of Non-Executive Director KMP remuneration is 'at risk' based on the performance of the Company and does not incorporate any bonus or incentive element.

Board and Committee fees are set by reference to a number of relevant considerations including the responsibilities and risks attaching to the role, the time commitment expected of Non-Executive Director KMP, fees paid by peer-sized companies and independent advice received by external advisors. The remuneration arrangements of Non-Executive Director KMP are periodically reviewed by the Remuneration Committee to ensure they remain in line with general industry practice, the last review having taken effect from June 2006.

From July 2007, Non-Executive Director KMP were paid at the rate of \$80,000 per annum, payable quarterly in arrears. In addition Non-Executive Director KMP received an additional \$20,000 per annum for each Board Committee on which they served, other than for the Nomination Committee which is set at 50% of the Committee fee. The Lead Independent Director receives an additional \$30,000 per annum and Committee Chairs are paid at a rate of 50% above other Committee members in recognition of the additional workload.

During the 2010 and 2011 years Mr. D.B. Reardon received an additional \$30,000 fee per annum for his services on the board of Village Roadshow Pictures International Pty. Ltd. and various USA based company boards, and from December 2009 Mr. D.J. Evans received an additional \$30,000 fee per annum (pro-rata for 2009) for his services on various boards of the Village Roadshow Entertainment Group Limited group of companies.

The Company does not have and never has had a retirement benefit scheme for Non-Executive Director KMP, other than their individual statutory superannuation benefits which, where applicable, are included as part of the aggregate fee for Non-Executive Director KMP as remuneration.

In addition, although not required by the Company's constitution, the Company considers it appropriate for Non-Executive Directors to have a stake in the company on whose board he or she sits and the Company encourages Non-Executive Director KMP to hold shares in the Company. Subject to any necessary approvals as may be required by law or by ASX Listing Rules, Directors may be invited from time to time to participate in share and 'in substance option' plans offered by the Company.

During the year the Company introduced a Directors' Share Plan ("DSP"), effective from 1 January 2011, by which Non-Executive Director KMP can salary sacrifice some or all of their fees into ordinary shares in the Company. The shares are allotted at the weighted average market price on ASX on the first 5 trading days of the third month of the relevant quarter, rounded up to the next whole cent. As the DSP was approved by shareholders on 24 March 2011, after the effective commencement date of the DSP, the shares issued from the March 2011 quarter's fees were from after-tax fees. The shares issued from the June 2011 quarter's fees, and for all subsequent DSP allotments, are on a salary sacrifice basis. The various allotments during the year under the DSP are set out in the table below.

Name	Allotment Date	No. shares	Issue Price
P.D. Jonson	1 April 2011	1,421	\$3.73
	8 June 2011	2,357	\$4.11
T.M. Antonie	1 April 2011	1,133	\$3.73
	8 June 2011	1,824	\$4.11
D.J. Evans	1 April 2011	4,739	\$3.73
	8 June 2011	7,299	\$4.11
R. Le Tet	1 April 2011	4,384	\$3.73
	8 June 2011	7,299	\$4.11

# REMUNERATION REPORT (CONTINUED)

## C. NON-EXECUTIVE DIRECTOR KMP REMUNERATION (continued)

### 2. Structure (continued)

The various share, option and 'in substance option' entitlements of all Directors are advised to ASX in accordance with the Listing Rules and *Corporations Act* requirements and are set out on page 9 of the Directors' Report.

The remuneration of Non-Executive Director KMP for the periods ending 30 June 2011 and 30 June 2010 are detailed on pages 15 and 17 of this Report.

## D. EXECUTIVE KMP COMPENSATION

The names and positions of the Executive KMP of the Group for the period ending 30 June 2011 and 2010 are detailed on page 13 of this Report.

### 1. Objective

The Company aims to reward Executive Director KMP and Executive Committee KMP with a level and mix of remuneration commensurate with the seniority of their position and responsibilities within the Group, so as to:

- reward for Group performance against targets set by reference to appropriate benchmarks;
- align the interests of the Executive Director KMP and Executive Committee KMP with those of the Company and of its shareholders;
- link their rewards to the strategic goals and performance of the Group; and
- ensure total compensation is competitive by market standards for the relevant industry.

### 2. Structure

In determining the level and make-up of Executive KMP compensation, the Remuneration Committee seeks independent advice of external consultants as required to advise on market levels of compensation for comparable roles in the entertainment industry from time to time. The proportion of fixed pay and variable compensation (potential short term and long term incentives) is monitored by the Remuneration Committee, taking into account the Group's then present circumstances and its future short-term and longer-term goals.

The compensation of Executive Director KMP and Executive Committee KMP consists of the following key elements:

- Short term, fixed compensation;
- Other compensation such as post employment compensation (including superannuation); and
- Variable Compensation:
  - Short Term Incentive Bonus ("STI"); and
  - Long Term Incentive ("LTI").

On 28 March 2011 and 9 May 2011, the Company announced to ASX that, as part of a corporate cost structure review, a significant reduction of approximately \$3 million in total remuneration costs of the Executive Director KMP would be implemented from 1 July 2011. Specifically VRL's CEO, Mr Graham Burke, will receive a salary of \$2.25 million per annum and will be entitled to a performance bonus capped at a maximum of \$1 million per annum. The bonus hurdles will be the same as Mr Burke's existing CFROI and EPS bonus hurdles, with the VRL Board retaining the right to reset those hurdles. VRL's Executive Chairman, Mr Robert Kirby, will receive a salary of \$2.25 million per annum, with no performance bonus. VRL's Executive Deputy Chairman, Mr John Kirby, will receive a salary of \$1.6 million per annum, with no performance bonus. Each Executive Director will also be entitled to \$50,000 per annum in superannuation and a \$100,000 per annum car allowance in lieu of non-monetary benefits.

The details of the fixed and variable components (and the relevant percentages) of each individual Executive Director KMP and Executive Committee KMP of the Company and the Group are set out on pages 15 to 18 of this Report.

The remuneration and terms and conditions of employment for the Executive Director KMP and the Executive Committee KMP are often but not always specified in individual contracts of employment. The details of each contract of the relevant Executive KMP are outlined below in section E of this Report.

### 3. Fixed Compensation

#### (a) Objective

The level of fixed pay is set so as to provide a base level of compensation which is fair, reasonable and appropriate to the seniority of the position

and to be competitive in the market. Due to the Group's extensive overseas business interests and the global nature of the entertainment industry, the Remuneration Committee considers international entertainment industry remuneration levels whilst recognising local remuneration directions and practices.

Fixed pay (defined as the base compensation payable to an individual and which is not dependent on the outcome of specific criteria) is reviewed annually by the Remuneration Committee, taking into account other elements of the compensation mix, such as STI bonus and LTI arrangements.

The Remuneration Committee is responsible for approval of the level of fixed pay for Executive KMP and all other senior corporate and divisional executives. As noted earlier, the Committee has access to independent external advice.

#### (b) Structure

The Executive Director KMP and Executive Committee KMP receive their fixed (primary) compensation in a variety of forms including cash, superannuation and taxable value of fringe benefits such as motor vehicles and other non-monetary benefits. The fixed compensation component is not 'at risk' but is set by reference to competitive industry expectations and the scale and complexity of the different businesses together with appropriate benchmark information for the individual's responsibilities, performance, qualifications, experience and location.

The fixed compensation component of each Executive Director KMP and Executive Committee KMP for the periods ended 30 June 2011 and 30 June 2010 is detailed on pages 15 to 18 of this Report.

### 4. Variable Compensation – Short Term Incentive ("STI") Bonus

#### (a) Objective

The objective of the STI bonus program is to link the achievement of the Group's annual operational targets with the compensation received by the Executive KMP charged with meeting those targets, as well as relevant personalised individual targets for some Executive Committee KMP. The total potential STI bonus available is set at a level so as to provide incentive to the Executive KMP to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

The STI is designed so that for all executives a large portion of their individual remuneration is 'at risk' against meeting targets linked to the Company's annual and mid-term business objectives, weighted so that the more senior the executive the larger the proportion of remuneration that is at risk. Each KMP's STI is a blend of financial KPI's applicable to the VRL Group together with personal KPI's based on the relevant responsibilities of each role.

#### (b) Structure

All Executive Committee KMP, as well as other corporate and divisional executives, are eligible to participate in the Group's annual STI bonus scheme after at least six months of service. Actual STI bonus payments made to each VRL Executive Director KMP and Executive Committee KMP depend on the extent to which specific budgeted operating targets, or other individual criteria set at the beginning of each financial year, are met.

The Group has predetermined performance benchmarks which must be met in order to trigger payments under the STI bonus scheme. These Group specific and tailored performance conditions were chosen so as to align the STI payments to the operational performance of the Company and the VRL group as a whole. These performance criteria include EPS growth benchmarks and minimum CFROI targets.

The CFROI performance component used relates to normalised earnings before interest, tax, depreciation and amortisation ("EBITDA") as a percentage of capital employed, and capital employed is represented by total shareholders' equity plus net debt. Bonuses are calculated based on the growth in the ratio from year to year and are on a sliding scale between 10% and 20% with nil bonus for a CFROI achieved in any year of less than 10% growth and capped at the maximum bonus where CFROI exceeds 20%. The Company considers that this financial performance condition relating to the Group's underlying cash flows is appropriately challenging taking into account the group's cost of capital and investment hurdle rates and directly links STI rewards to Executive KMP with the financial performance of the Company and the flow-on consequences for shareholders.

Similarly the Company has chosen EPS as the other suitable STI performance condition due to the direct linkage to the Company's underlying financial performance. Bonuses using the EPS criteria are calculated such that where EPS growth percentage is less than that achieved for the ASX 300 index, nil bonus is payable and where the Company's EPS growth equals or exceeds 10% better than the ASX 300's EPS growth for the year, 100% of that bonus component is payable. The

# REMUNERATION REPORT (CONTINUED)

## D. EXECUTIVE KMP COMPENSATION (continued)

### 4. Variable Compensation – Short Term Incentive

#### ("STI") Bonus (continued)

##### (b) Structure (continued)

Company considers that no direct segment, market index or industry comparators exist for the Company and thus the ASX 300 comparator has been selected for benchmarking this performance condition as a proxy for similarly sized or larger companies listed on ASX operating predominantly in Australia, and the performance of this benchmark is independently externally verifiable.

For the 2011 and 2010 years for the Executive Director KMP of Messrs R.G. Kirby, J.R. Kirby and G.W. Burke, the STI performance bonus criteria relate solely to CFROI and EPS growth in equal measure. In addition to CFROI and EPS performance criteria, for Executive Committee KMP, individual personalised key performance indicators ("KPI's") are also set each year including appropriate financial and non-financial performance metrics relevant to the role, position and responsibilities of the individual. Performance against these KPI's is reviewed annually with such bonus amounts payable in December of the following year.

Mr. P.M. Harvie's KPI's, prior to Mr Harvie becoming a Non-Executive Director KMP, were set by Austereo's Remuneration Committee. In recognition of over 18 years of service to the Group and having declined to accept STI bonus amounts in a number of prior years, Austereo presented a number of rare books to Mr. Harvie during the year, the purchase price and on-costs of which are reflected in the Remuneration table for 2011 detailed on page 15 of this Report.

The overall review of proposed bonus payments to Executive Committee KMP is decided annually by the Remuneration Committee on the advice of the CEO. All bonuses, including any recommended STI bonus payments for VRL Executive Director KMP and for Executive Committee KMP, are approved by the Company's Remuneration Committee.

Only the components of STI bonus payments that can be accurately determined are accrued at balance date. Remaining components of STI bonus payments are calculated and accrued between balance date and 31 December each calendar year. Accordingly for all Executive Director KMP and some Executive Committee KMP, the STI amount shown in the Remuneration tables for the year ended 30 June 2010 is the bonus relating to performance against the CFROI metric for the 2010 year and the EPS component of the bonus for the 2009 year. For the 2011 year the STI bonus amounts shown in the Remuneration tables include both CFROI and EPS components for the 2011 year, as well as the EPS performance component and the personal performance components in the prior 2010 year. Accordingly the STI figures for 2011 and 2010 in the Remuneration tables detailed on pages 15 to 18 of this Report are a composite of various years' bonus components and are not directly comparable. However by accruing both the CFROI and the EPS components for the 2011 year and future years, improved future comparability of STI payments will be possible.

For the 2011 and 2010 years the 3 VRL Executive Director KMP were eligible to earn up to 100% of their base remuneration in the form of an annual bonus. 50% of the bonus was based on CFROI and 50% was based on EPS growth relative to the top 300 stocks listed on the ASX. The CFROI bonus for the year ended 30 June 2011 amounted to \$816,188 for each VRL Executive Director KMP (2010: \$728,375) and, being due and payable, has been accrued for at 30 June 2011. The EPS bonus component for the year ended 30 June 2011 amounted to \$584,672 for each VRL Executive Director KMP (2010: \$972,075) and, being due and payable, has been accrued for at 30 June 2011.

The CFROI hurdle rates achieved were at 86.5% of the maximum hurdle rate for the 2011 financial year and at 79.6% for the 2010 financial year. The EPS bonus component for the year ended 30 June 2011 amounted to 61.9% of the maximum hurdle rate for the 2011 financial year (2010: 100%). Both the CFROI and EPS components for Executive Committee KMP for the 2011 year, being due and payable, have been accrued for at 30 June 2011.

Refer to the table on page 14 for an analysis of the 2011 STI bonus components for Executive KMP.

Future STI bonuses of the Executive Committee KMP are dependent on a number of external variables, including the earnings per share of the Company and the financial performance of the Group. For all Executive KMP the minimum potential value of the STI which could be paid in respect of any year, for example as a result of poor performance or missing tailored, pre-set targets, would be nil, and the maximum STI bonus payable in respect of any year would be the maximum amounts, as detailed in the table below for the current year. Therefore, the theoretical percentage of maximum STI bonus payments that could be forfeited in respect of any year

would be 100% of the maximum amounts, as detailed in the table below for the current year. In addition, transaction based specific bonuses may be payable to one or more Executive KMP where specific medium term strategic challenges are encountered.

From 1 July 2011, as part of a corporate cost structure review, the Company's CEO, Mr G.W. Burke, will be entitled to a performance bonus capped at a maximum of \$1 million per annum. The bonus hurdles will be the same as Mr Burke's existing CFROI and EPS bonus hurdles described above, with the VRL Board retaining the right to reset those hurdles. From 1 July 2011 neither the Company's Executive Chairman, Mr R.G. Kirby, nor the Company's Executive Deputy Chairman, Mr J.R. Kirby, will be entitled to a performance bonus.

The STI bonus arrangements for the Executive KMP for the year ended 30 June 2011 are set out as follows:

Name	Title	Maximum STI	Methodology
Robert G. Kirby	Executive Chairman	100% base salary **	50% based on CFROI, 50% based on increase in EPS compared to ASX 300 performance
John R. Kirby	Executive Deputy Chairman	100% base salary **	50% based on CFROI, 50% based on increase in EPS compared to ASX 300 performance
Graham W. Burke	Chief Executive Officer	100% base salary ##	50% based on CFROI, 50% based on increase in EPS compared to ASX 300 performance
Peter M. Harvie#	Executive Director	Discretionary	Individual KPIs based on performance of Austereo's operating result targets
Philip S. Leggo*	Group Company Secretary	\$450,000	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
Julie E. Raffe	Chief Financial Officer	100% base salary	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
Simon T. Phillipson	General Counsel	100% base salary	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
Timothy Carroll^	Chief Marketing Officer	\$650,000	Individual KPIs based on operating result targets
Clark J. Kirby	Director Business Development	100% base salary	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
David Kindlen	Chief Information Officer	\$200,000	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance

# On 7 April 2011 Mr P.M. Harvie ceased as Executive Director KMP

\* On 29 April 2011 Mr P.S. Leggo ceased employment with the Company and ceased as Executive Committee KMP

^ On 29 April 2011 Mr T. Carroll ceased employment with the Company and ceased as Executive Committee KMP

\*\* Nil from 1 July 2011

## Capped at \$1 million from 1 July 2011

The STI bonus payments made to each of the Executive Director KMP and the Executive Committee KMP in the periods ending 30 June 2011 and 30 June 2010 and the relative proportions of such STI incentive remuneration are detailed on pages 15 to 18 of this Report.

## D. EXECUTIVE KMP COMPENSATION (continued)

### 5. Variable Remuneration – Long Term Incentive (“LTI”)

#### (a) Objective

The objective of the Company’s various LTI plans is to reward Executive KMP in a manner which assists in aligning this element of their remuneration with the creation of shareholder wealth.

During the 2011 and 2010 years there have been 3 LTI plans in operation within the consolidated entity:

- The Company’s Executive Share Plan and Loan Facility (“ESP”), introduced in 1996;
- Austereo Group Limited’s 2001 Executive Share Plan and Loan Facility (“AESP”), which has been closed since January 2002 and was wound up during the year; and
- The 2008 Option Plan over ordinary shares to the Company’s CEO (“2008 OP”).

In addition the Group has a loan arrangement over a 1993 legacy equity-linked performance plan in which Mr P.M. Harvie is the sole remaining participant, where dividends are used to repay the interest accrued with any surplus dividend payment used to repay the capital amount of the loan. All grants to Mr. Harvie under this legacy plan were in his capacity as an executive of the consolidated entity and were prior to him becoming a KMP of the Company.

At 30 June 2011 only the ESP and 2008 OP remain in operation.

Participation in the LTI plans listed above for the Group’s Executive KMP is set out in Note 26 of the Financial Report.

All LTI plans have been approved by shareholders at the time of their introduction. Grants are made from time to time as appropriate and all proposed grants to Directors of the Company are put to shareholders for approval. The quantum of LTI grants are reflective of the seniority of the position of the relevant executive and their ability to contribute to the overall performance of the Company.

The more senior the Executive KMP the more their LTI is specifically designed as ‘at risk’ remuneration, for example the dividend and earnings per share performance hurdles relevant to the 2008 grant of options to the CEO. The performance hurdles relevant to the 2008 grant of options to the CEO are described below.

The LTI plans for less senior Executive KMP, however, with less influence over the performance of the Group, have no specific performance conditions for the vesting of the relevant shares other than successful annual personal performance criteria. Any value accruing to the Executive Committee KMP is derived from improvement in the Company’s share price. The LTI plans may also be regarded as a partial retention mechanism by the Group and encourage a sense of ownership with those Executive Committee KMP to whom the LTI’s are granted, assisting in aligning their long term interests with those of shareholders.

The shares that are the subject of the ESP are offered at market value on the date of issue to the Executive Committee KMP and the benefits, if any, under the ESP are correlated to the performance of the Company via the share price performance of the underlying share.

The Company considers that the five year period over which the ESP shares are ‘earned’ is appropriate given the shorter term performance hurdles to which each Executive KMP is subject. Furthermore the long term horizon of the loans from the consolidated entity for the ESP and AESP, which continue past the final vesting date of the shares for the duration of Executive KMP’s employment with the Company, further demonstrates the alignment of the long term interests of Executive KMP with those of the Company’s shareholders.

There are no provisions within any of the LTI plans for the automatic or full vesting of the relevant shares in the event of a change of control of the Company.

Other than as noted below, no options have been granted, exercised or lapsed during the reporting period. Details of unissued shares under option, shares issued as a result of the exercise of options and ‘in substance options’ held during the period in relation to Executive KMP and Non-Executive Director KMP of the Company are set out in Note 26 of the Financial Report.

The ESP has, and AESP had, limited recourse loans secured over the relevant shares together with a buy-back option in the event the market value of the shares is less than the loan amount. Accordingly no hedging of shares by Executive KMP was required, whether of vested or unvested shares. The Company has full control over all loans and the repayment thereof and full control over all shares including through holding locks.

From 1 July 2011 the Company has implemented a policy that specifically prohibits the hedging of incentive remuneration granted to Executive KMP that is the subject of a holding lock, whether vested or unvested. For the options granted to the Company’s CEO, Mr. Graham Burke, on 18 July 2008, the terms of the offer specifically prohibit the hedging of unvested options by Mr. Burke. A summary of the Company’s incentive remuneration hedging policy is set out in the Corporate Governance Statement on pages 25 to 29.

The Company has used the fair value measurement provisions of AASB 2: *Share-based Payment* for all options or equity instruments granted to Executive KMP after 7 November 2002 which had not vested as at 1 January 2005. Under AASB 2: *Share-based Payment* these are all required to be accounted for and valued as equity settled options. For the purpose of this Report, these have been referred to as ‘in substance options’ even where the equity instrument itself is not a share option.

The fair value of such ‘in substance option’ grants are disclosed as part of Executive KMP compensation and are amortised on a straight-line basis over the vesting period. The Company does not consider it is appropriate to ascribe a ‘value’ to the LTI of Executive KMP for remuneration purposes other than the amortised fair value measurement in accordance with the provisions of AASB 2: *Share-based Payment*.

From 1 January 2005, options or ‘in substance options’ granted as part of Executive KMP compensation have been valued using the Black Scholes or binomial option-pricing model or the Monte Carlo simulation technique, 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.

In addition to the amortised fair value of the relevant LTI plans, for all options or equity instruments granted to Executive KMP prior to 7 November 2002 which had vested as at 1 January 2005, being those grants to which AASB 2: *Share-based Payment* does not apply, an amount has been calculated to reflect the quantum of interest charged on the LTI loans where that is less than the 30 day commercial bill swap rate for the financial year (“BBSW rate”). Accordingly an amount representing the value of interest not charged on the LTI loans has been added under the Incentive Plan column for the relevant Executive KMP in the Remuneration tables detailed on pages 15 to 18 of this Report. This non-monetary benefit represents the difference between the actual rate charged and the deemed market rate as reflected in the BBSW rate. For the Austereo LTI the deemed market rate used for calculating the interest not charged amount was the weighted average effective interest rate for Austereo Group Limited. The only Executive KMP with amounts shown under the Incentive Plan column are Mr. P.M. Harvie, which is due to the historical interest rate and share issue price under the AESP, and Mr. T. Carroll, in relation to the timing of his cessation of employment.

A detailed summary of these various LTI plans is set out below with full details set out in Note 26 of the Financial Report.

#### (b) Structure

##### (i) Executive Share Plan and Loan Facility (“ESP”)

The Company’s ESP was approved by shareholders on 19 November 1996 and allowed for the issue of up to 5% of the Company’s issued A Class preference shares to executives and employees of the consolidated entity and significant associated entities. Directors of the Company are not eligible to participate in the ESP. All grants to Mr. P.M. Harvie under the ESP were in his capacity as an executive of the consolidated entity and were prior to him becoming a Director of the Company. The conversion of the Company’s preference shares on 16 November 2010 into ordinary shares also applied to ESP preference shares.

Offers are at the discretion of the Company’s Remuneration Committee and shares are issued at the 5-day weighted average price on the market prior to allotment, rounded up to the next whole cent. The shares are held directly by the Executive Committee KMP who pays for the allotment by obtaining a loan from the consolidated entity which holds the ESP shares as security.

The shares are ‘earned’ at the rate of 20% per year over five years from date of issue. The loan bears interest at ten cents per share per annum and the first ten cents of dividends per share each year is used to repay the interest accrued and 50% of the remaining dividend per share is used to repay the capital amount of the loan.

If the Executive Committee KMP resigns or is dismissed, the restricted and ‘unearned’ shares are forfeited and the loan on the remaining unrestricted shares must be repaid within six months or such other time as approved by the Company’s Remuneration Committee. In circumstances where the market value of the remaining ESP shares at the end of the six month



# REMUNERATION REPORT (CONTINUED)

## D. EXECUTIVE KMP COMPENSATION (continued)

### 5. Variable Remuneration – Long

#### Term Incentive (“LTI”) (continued)

##### (b) Structure (continued)

##### (i) Executive Share Plan and Loan Facility (“ESP”) (continued)

period is less than the amount owing on the loan, then the Company will buy-back the shares and cancel them in repayment of the loan without further recourse to the former Executive Committee KMP. This is the basis on which they have been described as ‘in substance options’.

Other than as set out below, no allotments under the ESP have been made to any Executive Committee KMP during the year.

On 29 November 2010, 350,000 ordinary shares were allotted to Ms J.E. Raffae at \$2.35 per share. The fair value of each ‘in substance option’ estimated at date of grant was \$0.62. The notional adjusted equity value of the allotment and the percentage of Ms Raffae’s total remuneration is detailed on page 16 of this Report.

##### (ii) Austereo Group Limited’s Executive Share Plan and Loan Facility (“AESP”)

The AESP, and the specific grant of shares to Mr. P.M. Harvie, was approved by shareholders of Austereo on 19 January 2001, and allowed for the issue of up to 5% of Austereo’s issued ordinary shares to executives and employees of the Austereo consolidated entity. Executive Directors of Austereo were eligible to participate in the AESP. As Mr. Harvie was an Executive Director KMP of Village Roadshow Limited until 7 April 2011, this AESP is relevant to his remuneration arrangements. The AESP has been closed to further allotments since January 2002 but existing shares and loans held by continuing participants remained until the AESP was closed following the take-over of Austereo during the year.

Offers were at the discretion of the Austereo Directors and ordinary Austereo shares were issued at the five-day weighted average price on the market prior to allotment, rounded up to the next whole cent. The shares were held directly by the Austereo executive who paid for the allotment by obtaining a loan from the Austereo consolidated entity which held the AESP shares as security.

The shares were ‘earned’ at the rate of 25% per year over four years from date of grant. The loan bore interest at six cents per share per annum and the first six cents of dividends in any year were used to repay the interest accrued and 50% of the remaining dividend per share was used to repay the capital amount of the loan.

In circumstances where the market value of the remaining AESP shares at the end of the six month period was less than the amount owing on the loan, then Austereo would buy-back the Austereo shares and cancel them in repayment of the loan without further recourse. This is basis on which they have been described as ‘in substance options’.

No allotments under the AESP have been made to any Executive Committee KMP during the year, and all grants pre-date the introduction of AASB 2: *Share-based Payment*.

During the year the AESP was closed with all amounts owing under the AESP having been repaid in full from the proceeds of the sale of all AESP shares.

##### (iii) 2008 Option Plan for CEO (“2008 OP”)

Upon the renewal in December 2007 of the employment contract of the Company’s CEO, Mr. Graham Burke, a VRL Executive Director KMP, the contract required a grant of up to 6 million options over ordinary shares. The 2008 OP was approved by the Company’s shareholders on 17 July 2008 and the options were issued on 18 July 2008 with the options being exercisable at \$3.00 per share, with vesting subject to performance hurdles relating to growth in earnings per share and growth in dividends. Following the \$1.00 reduction of share capital approved by shareholders at the General Meeting on 29 June 2011, the exercise price of the options has been reduced to \$2.00 per share, effective from 19 July 2011.

Two million options are exercisable, subject to certain performance conditions not earlier than 1 March 2011; two million options are exercisable subject to certain performance conditions not earlier than 1 March 2012; and two million options are exercisable subject to certain performance conditions not earlier than 1 March 2013.

The earnings per share (“EPS”) performance hurdle has a starting point of 27 cents per ordinary share on 31 December 2007 and the dividend per share (“DPS”) performance hurdle has a starting point of 9 cents per ordinary share on 31 December 2007, with growth measured on calendar year performance.

For all options to vest, the Company’s performance must meet a minimum 10% cumulative average growth rate (“CAGR”) in EPS over the 3 year vesting period for half of each tranche to vest, and must meet a minimum 10% CAGR in dividends paid over 2 out of the 4 year vesting period for the other half of each tranche to vest. For half of the options to vest, the Company’s performance must meet a minimum 5% CAGR in EPS over the 3 year vesting period for one quarter of each tranche to vest, and must meet a minimum 5% CAGR in dividends paid over 2 out of the 4 year vesting period for another quarter of each tranche to vest. Below 5% CAGR in either DPS or in EPS, no options vest, with a pro-rata straight line vesting scale between 5% and 10% CAGR for each performance condition.

The effect of the performance hurdles on the potential vesting of the options can be illustrated as follows:

Number of Options able to Vest if:	Cumulative Annual Growth Rate (“CAGR”)				
	< 5%	5%	5% – 10%	= or >10%	
EPS CAGR hurdle achieved	Nil	500,000	Sliding Scale *	1,000,000	Maximum 1st Tranche Options
Dividend CAGR hurdle achieved <sup>#</sup>	Nil	500,000	Sliding Scale *	1,000,000	
EPS CAGR hurdle achieved	Nil	500,000	Sliding Scale *	1,000,000	Maximum 2nd Tranche Options
Dividend CAGR hurdle achieved <sup>#</sup>	Nil	500,000	Sliding Scale *	1,000,000	
EPS CAGR hurdle achieved	Nil	500,000	Sliding Scale *	1,000,000	Maximum 3rd Tranche Options
Dividend CAGR hurdle achieved <sup>#</sup>	Nil	500,000	Sliding Scale *	1,000,000	

<sup>#</sup> Subject to ‘2 out of 4 years’ test

\* A pro rata straight line vesting scale applies.

All the options are exercisable no later than 1 March 2015. In the event of termination without cause, Mr. Burke may exercise the options that have already vested or that vest during the following 12 month period, or he may exercise vested options within 7 days of cessation of employment in the event of termination for cause.

742,904 of first tranche EPS options vested and 257,096 EPS options lapsed during the year. The value of the lapsed options as at the date of lapsing was \$63,524 (2010: nil). Although the first tranche DPS options did not meet the minimum CAGR hurdle to vest in 2011, the DPS hurdle is subject to retesting in 2012 following the clarification of the option terms approved at the General Meeting of shareholders on 29 June 2011.

The terms of the grant of the options provide that should the Board determine that Mr. Burke has entered into a hedging transaction or other transaction having the effect of limiting or eliminating the economic risk associated with the options as a result of the DPS and EPS growth vesting hurdles to which they are subject, the Options will expire.

##### (iv) Holdings of Executive KMP

Other than the ESP allotment to Ms. J.E. Raffae and the vesting of some of the CEO’s options described above, there have been no allotments to Executive Director KMP or Executive Committee KMP under any share based payment plan during the financial period. Details of the loans for such ‘in substance options’ held by Executive KMP of the Group, including their personally-related entities, under the share based payment plans during the financial period are set out in Note 26 of the Financial Report.

Allotments to any Executive KMP, including their personally-related entities, under the share based payment plans during the financial period and the relevant loans during the financial period are set out in Note 26 of the Financial Report. During the financial year, the number of shares in the Company and in Austereo in which the Executive KMP of the Group have a relevant interest, including their personally-related entities, are set out in Note 26 of the Financial Report.

## 6. Other benefits

The Group has other compensation arrangements with some Executive KMP such as travel and entertainment reimbursement for business only purposes and either Company maintained vehicles, vehicle leases or car allowances as part of their remuneration packages. In addition the payment of superannuation or retirement benefit amounts within prescribed statutory limits are made, including various ancillary insurance covers. Where relevant, the grossed up taxable value of these benefits have been included as a non-monetary benefit, with the details of the value of these benefits set out on pages 15 to 18 of this Report.

## E. EMPLOYMENT CONTRACTS

Compensation and other terms of employment for many of the Group's Executive KMP and Non-KMP Executives are formalised in service agreements.

The main terms of all major employment contracts and bonus payments are reviewed by the Remuneration Committee. The major provisions of the service agreements of these Group officers relating to compensation are as set out below.

### 1. Executive Director KMP

Mr. Graham Burke's contract with the Company as CEO expires on 1 December 2015, having been extended in November 2010. In addition to base salary, CPI adjusted, superannuation and motor vehicle, an annual incentive performance bonus is payable for achieving certain EPS and CFROI levels. From 1 July 2011 the performance bonus has been capped at a maximum of \$1 million per annum. The contract also provides for the granting of six million options over ordinary shares with appropriate exercise hurdles, which were issued on 18 July 2008. In addition the contract provides for a potential loan from the Company of up to \$2 million on terms and conditions to be agreed by the Remuneration Committee of the Company. Other than a global twelve month non-compete clause, the contract does not provide for pre-determined compensation in the event of termination.

Mr. P.M. Harvie's contract is with Austereo Pty. Ltd. as Executive Chairman of the Company's former controlled entity, Austereo Group Limited. On 7 April 2011 Mr. Harvie became a Non-Executive Director of the Company when Austereo ceased to be part of the Group. In addition to base salary and superannuation, CPI adjusted, an annual discretionary performance bonus is payable together with participation in the ESP and AESP. Payment for termination without cause is equal to twelve months of salary and reflected the post employment restraints applicable to Mr. Harvie under his contract.

### 2. Executive Committee KMP

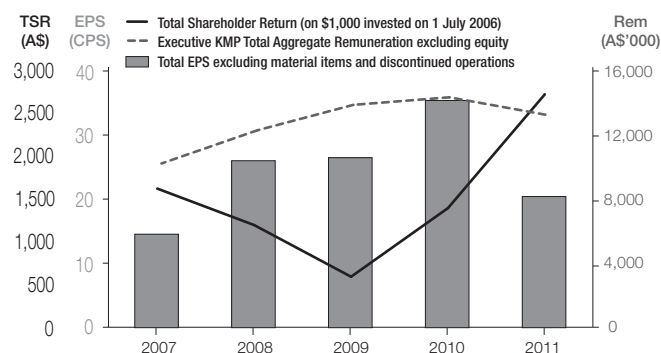
Mr. S.T. Phillipson and Ms. J.E. Raffae have ongoing employment agreements. In addition to base salary and superannuation, and a Company motor vehicle provided to Ms. Raffae, all Group executives are eligible to be paid an annual discretionary performance bonus. Messrs. S.T. Phillipson, D. Kindlen, C.J. Kirby and Ms. J.E. Raffae have STI performance bonus arrangements similar to VRL Executive Director KMP based on CFROI and EPS metrics. Messrs. D. Kindlen and C.J. Kirby do not have formal service agreements with the Company.

Payment for termination without cause under these employment contracts for Mr. Phillipson and Ms. Raffae is equal to twelve months of salary and reflects the post employment restraints applicable to these Executive Committee KMP under their relevant employment contracts.

Messrs. P.S. Leggo and T. Carroll ceased employment with the Company on 29 April 2011. Mr. Leggo was paid a termination payment of \$902,000 plus his statutory entitlements to annual leave and long service leave and the transfer of the Company's motor vehicle to Mr Leggo, and Mr. Carroll was paid a termination payment of \$570,000 including accrued bonus plus his statutory entitlements to annual leave and long service leave. Given the extended period of service to the Group by Messrs. Leggo and Carroll, the remaining tranche of unvested LTI 'in substance options' held under the ESP vested upon termination and the ESP loan repayment dates were extended to 30 April 2013 and 1 July 2013 respectively.

The Group may terminate an employment contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the senior manager is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested LTI plan shares are immediately forfeited and all remaining loans over such LTI shares must be repaid within 6 months of termination.

## F. COMPANY PERFORMANCE



Total Shareholder Return - IRESS

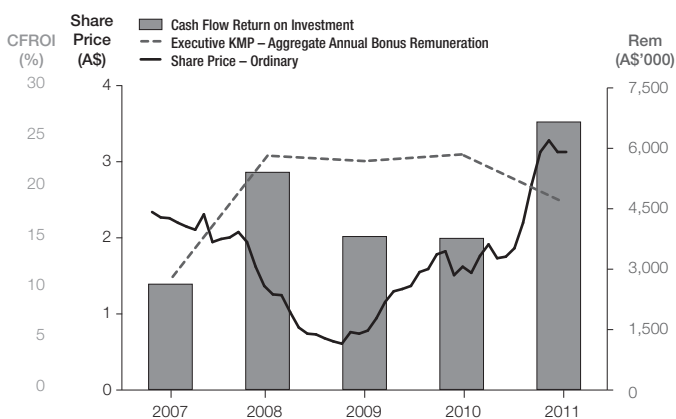
Note: The total EPS figure used in the above graph for 2011 (20.09 cents) does not include any earnings of the discontinued businesses that were disposed of during the year ended 30 June 2011 (being the Radio and Attractions divisions). The comparable adjusted total EPS figure for 2010 was 18.51 cents, compared to the unadjusted figure for 2010 of 34.80 cents as used in the graph above.

The above chart reflects the Total Shareholder Return ("TSR") of the Company for the current reporting period and in each of the four preceding years. It is based on the investment of \$1,000 in ordinary shares on 1 July 2006 and demonstrates the impact on shareholders of investing in ordinary shares over that five year time frame. Whilst TSR has been adversely impacted by overall weaker share market conditions reflecting the adverse global economic circumstances, the VRL share price performance, dividends and capital returns have had a positive impact over the last few years.

The chart also shows the growth in Earnings Per Share ("EPS"), shown in cents per share, over the same five year period - this is the total EPS, excluding material items and discontinued operations, as reported for the year in relation to which the remuneration was paid, unadjusted for any subsequent changes (primarily relating to re-statements due to discontinued operations) for each of the past five years, measured against the weighted average ordinary and preference shares on issue for each year as applicable.

Overlaid over the TSR and EPS data is the total aggregate annual remuneration, including bonuses from all sources, of the VRL Executive Directors and relevant Executive Committee KMP. Excluded from the total aggregate remuneration is the notional value of share based payments as described above and termination and retirement benefits. This total aggregate annual remuneration on the same basis has also been shown for comparative purposes for the same pool of Executive KMP in each of the four preceding years. A freeze on Executive KMP base remuneration was in place from 2008 to 2010. With the changes to the Company's corporate cost structure and to Executive Director KMP remuneration from 1 July 2011 referred to on page 20 of this Report, the aggregate Executive KMP remuneration for future years is expected to decrease from 2011 levels.

The movement in total Executive KMP remuneration for the five year period has broadly followed the change in either or both TSR or EPS. Growth in EPS over the previous five years has for the most part outstripped any relative rise in total Executive KMP aggregate remuneration. In particular, the dividends and capital returns paid by the Company in the last few years have positively impacted on TSR.



Ordinary share price month end closing price history - IRESS

## REMUNERATION REPORT (CONTINUED)

### F. COMPANY PERFORMANCE (continued)

The bonus amounts shown in the above chart are for the three VRL Executive Director KMP, Messrs R.G. Kirby, J.R. Kirby and G.W. Burke, and the same pool of four relevant Executive Committee KMP, and are those accrued for the year to which the payment relates. Other than for the VRL Executive Directors, prior to July 2007 the STI bonuses of Executive KMP were discretionary and were paid towards the end of each calendar year, hence they related to the performance of the Company in the prior period. The STI bonus amounts shown in the chart above have been amended to reflect this timing difference and where applicable these bonus payments have been normalised to match the STI amount that was paid as if it had been accrued for the relevant year.

The calculation of annual bonuses for the three named VRL Executive Director KMP and, from July 2007, for the 4 relevant Executive Committee KMP is divided into two components; one is driven by Cash Flow Return on Investment ("CFROI") and the other is determined by EPS performance. The two components together derive the movement in the VRL Executive Director KMP overall bonuses. For the purposes of calculating bonuses

for the VRL Executive Director KMP, the CFROI used relates to normalised EBITDA as a percentage of capital employed, and capital employed is represented by total shareholders' capital plus net debt. Bonuses are calculated based on the growth in the ratio from year to year and from July 2007 are on a sliding scale between 10% and 20%. Further details on the structure of the STI arrangements are set out in section D of this report.

The chart reflects the total aggregate annual STI bonus remuneration of the VRL Executive Director KMP and relevant Executive Committee KMP for 2011 and each of the four preceding years. Where Executive KMP have individual performance KPI's that are not linked to performance of the Company through CFROI or EPS, these have been excluded.

Overlaid is the share price movement of the ordinary shares over the five years to 30 June 2011, historically adjusted for the capital returns in 2007 and 2011.

Accordingly the Company considers that both the level of remuneration and the at risk components of STI and LTI payments are directly linked to specific financial performance metrics of the Company and are designed to align the interests of the Executive KMP with those of shareholders.

## 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 and how those practices relate to the Corporate Governance Principles and Recommendations issued by the Australian Securities Exchange ("ASX") Corporate Governance Council ("ASX Recommendations").

In ensuring high 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, annual budgets 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\$10 million;
- Approval and monitoring of significant financial and other reporting;
- Appointment and removal of the Chief Executive Officer; 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 set out below.

**Executive Director:** one in full time employment by the Company or a subsidiary within the Village Roadshow Group, either directly or through a consultancy;

**Independent Director:** one who is not a substantial shareholder nor 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 two 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 percent 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 <i>Chair</i>	July 2001	Shareholder, Executive
John R. Kirby <i>Deputy Chair</i>	August 1988	Shareholder, Executive
Graham W. Burke <i>Chief Executive Officer</i>	September 1988	Shareholder, Executive
Peter M. Harvie <i>Executive Director to April 2011, then Non-executive</i>	June 2000	Executive to April 2011, then Non-executive
D. Barry Reardon <i>Non-executive Director</i>	March 1999	Independent
Peter D. Jonson <i>Non-executive Director</i>	January 2001	Independent *
David J. Evans <i>Non-executive Director</i>	January 2007	Independent
Robert Le Tet <i>Non-executive Director</i>	April 2007	Independent
Timothy M. Antonie <i>Non-executive Director</i>	December 2010	independent

\* Appointed Lead Independent Director in November 2008.

## BOARD OF DIRECTORS – COMPOSITION AND MEMBERSHIP (continued)

The skills, experience and expertise of each Director are set out in the Directors' Report as are the Directors' attendance at meetings of the Board and its various Committees during the year.

The Company's constitution, both before and after the adoption of the Company's new constitution by shareholders in March 2011, set 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 including copies of the Company's various charters, policies and governance documentation. During the year all Directors entered into appropriate deeds of indemnity relating to their service as a Director of the Company.

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

The Chair of the Company is determined by the Board of Directors, recognising the Company's ownership structure. This is at variance to ASX Recommendations. The Board is of the opinion that the executive roles of the Shareholder Directors (including the Chair) 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. In accordance with good practice where the Chairman of the Board is not an independent Director, the Board of Directors considers it to be useful and appropriate to designate an Independent Non-Executive Director to serve in a lead capacity to coordinate the activities of the other Non-Executive Directors. Dr. P.D. Jonson was appointed to this role in November 2008.

## AUDIT & RISK COMMITTEE

In accordance with its Charter, all 3 members of the Audit & Risk Committee are Independent Directors with appropriate skills, expertise and experience. The Chair of the Committee is an Independent Director who is not the chair of the Board. The Audit & Risk Committee reports directly to the Board.

The role and responsibilities of the Audit & Risk 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 ASX reporting requirements;
- Discussing any matters arising from the audit with the external auditor;
- Reviewing the selection, performance, independence and competence of the external auditor – Ernst & Young was appointed on 12 April 1989 and since 2003 the audit partner is rotated every 5 years;
- 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 assessing 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.

The Chief Executive Officer and Chief Financial Officer provide written representations to the Board under section 295A of the *Corporations Act 2001* that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and the operational results and are in accordance with relevant accounting standards.

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

Name	Appointed	Role
Robert Le Tet	April 2007	Independent Director, Chair from May 2008
D. Barry Reardon	May 2008 to November 2010	Independent Director
Peter D. Jonson	February 2001	Independent Director
Timothy M. Antonie	December 2010	Independent Director

The qualifications and experience of the members of the Committee are set out in the Directors' Report as are the Directors' attendance at Committee meetings during the year.

The Audit & Risk 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 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

In accordance with its Charter, the Nomination Committee comprises a majority of Independent Directors and includes the Chair of the Company who is a representative of the Company's major shareholder.

The role of the Nomination Committee is to monitor the composition of the Board 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, appropriate diversity considerations, 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:

Name	Appointed	Role
Robert G. Kirby	June 2010	Chair, Executive Director
Robert Le Tet	May 2008	Independent Director
David J. Evans	July 2007	Independent Director

The Nomination Committee meets at least annually and the Board is appraised by the Chair as appropriate on any relevant developments. The Board has recognised that based on its size and composition, a formal committee structure and board selection procedures may not be optimal, and accordingly the Nomination Committee may meet informally, on an as 'needs' basis as and when a suitable candidate may be available for nomination. Although no formal board renewal processes or board skills matrix procedures are followed, the composition of the Board has changed over the years to reflect the needs of the Company.

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 is conducted informally by the Chair and Directors on an ad hoc basis. Whilst this informal process is at variance to ASX Recommendations, for the financial year ended June 2011, the Directors consider that an appropriate review and adequate evaluation of Directors and of Committees has been carried out.

## EXECUTIVE COMMITTEE

The Executive Committee 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 & Risk 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;

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## EXECUTIVE COMMITTEE (continued)

- Approval and monitoring of capital expenditure, capital management, acquisitions and divestitures, and approval of contracts up to A\$10 million;
- 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 each year.

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

In previous years the Executive Committee had formed two working sub-committees, the Business Committee concerned with legal, governance and financial matters, and the Management Committee concerned with operational and personnel issues. These sub-committees were merged into one at year end.

During the financial year the members of the Executive Committee were:

Name		Business Committee	Management Committee
Graham W. Burke	Chair	•	•
John R. Kirby		•	•
Robert G. Kirby		•	•
Peter M. Harvie	To April 2011	•	•
Philip S. Leggo	To April 2011	•	•
Julie E. Raffae		•	•
Simon T. Phillipson		•	•
Timothy Carroll	To April 2011	•	•
David Kindlen			•
Clark J. Kirby	From December 2010		•

## REMUNERATION COMMITTEE

The Committee's Charter provides for the review of compensation of the Company's Executive Directors, including any equity participation by such Executive Directors.

The Committee comprises three Directors which during the year was changed from the majority of Independent Directors to all Independent Directors. The Committee invites senior management to meetings when requiring input on management and divisional performance.

The Committee is responsible for determining and reviewing compensation arrangements for the Company's Executive Directors and senior managers with the overall objective of motivating and appropriately rewarding performance. The decisions are made in line with the Company's present circumstances and goals to ensure shareholders benefit from the attraction and retention of a high quality Board and senior management team.

The compensation arrangements of Austereo Group Limited were determined by that entity's Remuneration Committee while it was still listed.

The Remuneration Committee is responsible for the compensation arrangements of all senior divisional and corporate executives. This includes any proposed equity allotments or shadow equity plans, profit share arrangements or bonus payments.

The Chief Executive Officer is responsible for recommending the compensation arrangements for senior divisional and corporate executives for approval by the Committee.

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

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 individual executive performance criteria and Company performance in relation to profitability, cash flow and other

performance indicators. From July 2011, of the 3 executive Directors, only the CEO can earn a performance bonus, which is capped at a maximum of \$1 million per annum.

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 contractual or compensation arrangements of the Company's Executive Directors, as appropriate, this is promptly disclosed to ASX 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:

Name	Appointed	Role
Peter D. Jonson	July 2007	Chair, Independent Director
D. Barry Reardon	August 1999	Independent Director
Graham W. Burke	April 2000 to December 2010	Chief Executive Officer
Timothy M. Antonie	December 2010	Independent Director.

Until Mr. Burke's retirement from the Committee in December 2010, he absented himself from any meeting of the Committee where his own remuneration was to be discussed.

The total cash remuneration of Non-executive Directors (being Directors' Fees paid to anyone not 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. During the year Non-executive Directors received \$80,000 per annum plus \$20,000 per annum for each Board Committee on which they served, payable quarterly in arrears other than for the Nomination Committee whose members are paid \$10,000 per annum. However Board Committee Chairs are paid an additional \$10,000 per annum and the Lead Independent Director an additional \$30,000 per annum in recognition of their increased workload. Non-executive Directors may also 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 any 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. In March 2011 shareholders approved a Directors' Share Plan which enabled all or a specified portion of Director's Fees to be sacrificed into shares in the Company. The shares are allotted based on the weighted average share price applicable during the first week of the third month of each quarter.

The various share and option entitlements of all Directors and any changes to those holdings are advised to ASX 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, both before and after the adoption of the Company's new constitution by shareholders in March 2011, set out the procedures to be followed regarding:

- The convening of meetings;
- The form and requirements of the notice;
- Chair 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 for the completion of proxies will be contained on both the proxy form itself and in the notice of meeting, including any relevant voting exclusion statements. The constitution sets out the circumstances in which a poll may be called by the Chair or by shareholders whether present in person or by proxy or by representative.

## SHAREHOLDER MEETINGS AND COMMUNICATION (continued)

The Chair 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's corporate website at [www.villageroadshow.com.au](http://www.villageroadshow.com.au) contains relevant information for shareholders about the Company, its operations, corporate profile and structure as well as 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.

All investor briefing information, including on annual or half-yearly results, is released to ASX by the Company in advance of any briefings and then posted on its website to enable equivalent access by all investors.

The Company is supportive of developments by the share registry industry to facilitate the option of electronic communication with shareholders, and has placed the Company's annual report on its website as a principle distribution method to shareholders for a number of years, affording them the option of receiving a printed copy should they so request one.

## 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 ASX Recommendations 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's nominated Communications Officers for liaising with ASX are responsible for ensuring the Company's compliance with its legal and ASX 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 ASX. 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 ASX.

## 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
- Guest safety and maintenance, quality and safety of goods and services.

All Directors and employees have an obligation to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company does not pay fines and penalties of a personal nature for Directors or employees.

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

Certain inter-company arrangements had been entered into between the Company and Austereo Group Limited ("Austereo"). Historically the Company and Austereo had maintained various financial and administrative arrangements and have regularly engaged in transactions with each other and their respective affiliates. This relationship was governed by the Intercompany Agreement dated 19 January 2001 between the Company and Austereo. The Intercompany Agreement specifically stated that it is the intention of both parties that the relationship between them and their respective affiliates prior to Austereo's listing on ASX would continue on the same basis whilst the Company continued to hold a controlling interest in Austereo.

In April 2011 the Company disposed of its shareholding in Austereo and the Intercompany Agreement ceased to operate at the conclusion of the financial year.

## CORPORATE SOCIAL RESPONSIBILITY, SUSTAINABILITY AND DIVERSITY

The Company has a proud history of supporting the community in which its businesses operate. In addition to long-standing corporate support of a number of charities and not-for-profit organisations, the Company's corporate community investment contributions were measured for a number of years using the London Benchmarking Group methodology against which the Village Roadshow group's contributions compared favourably.

The Company is committed to corporate environmental sustainability and corporate social responsibility as part of the Company's business objectives and operating philosophy. The Company, through its ultimate holding company, reports annually under the *National Greenhouse and Energy Reporting Act*. The Company's Environmental Sustainability Policy is supported and augmented by tailored policies for each operating division where the relevant initiatives are embedded and the activities are carried out.

Further details and annual updates on the Company's Environmental Sustainability and community and charitable endeavours are provided on the Company's website.

Building on the Company's existing human resources and equal opportunity framework, the Company is committed to being a diversity leader in the entertainment and tourism sector by providing a diversity inclusive workplace and incorporating diversity into its business practices through its corporate social responsibility initiatives and the adoption of its resolution options model to address any inappropriate behaviour. In addition to the internal disclosure of the Company's diversity policy, it is also made available on the Company's website.

At June 2011 the proportion of women employed across the Village Roadshow group in Australia was 56% with the Company's senior management comprising 23% females. The current membership of the Board is outlined above. The Company has set itself the target of increasing the proportion of senior management employees to 25% by the end of 2013, to 30% within 5 years by the end of 2016 and to 33% within 10 years by the end of 2021.

## 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 ASX 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 one month prior to the release dates of the half year profit announcement and prior to the release of the full financial year end profit announcement (a "Closed Window").

## SECURITIES TRADING POLICY (continued)

Outside of those Closed Window 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. Prior written approval must be obtained from the Company Secretaries by any Designated Officer who wishes to deal in the Company's securities and legal advice will be obtained by the Company Secretaries on behalf of the Designated Officer in circumstances where any doubt exists.

In addition, the Company's Key Management Personnel ("KMP"), including all Directors, are precluded from dealing in securities in the Company during any Closed Window or other 'black out' period where that KMP officer is in possession of any important unpublished information about a potential transaction which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Prior written permission via a Clearance Notice to trade in the Company's securities must be obtained by such KMP officer. The Company's Security Trading Policy was provided to ASX in December 2010 and is available on the Company's website.

All Directors of the Company, and of the Village Roadshow group of companies including (until April 2011) 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 meeting of Directors and entered into a register which is open for inspection by all Directors and is available to all future incoming directors.

Following recent amendments to the *Corporations Act 2001*, the Company has extended the scope of its incentive remuneration hedging policy from July 2011 to prohibit the hedging by any member of the Company's KMP and their closely related parties of any incentive remuneration including any equity award which limits the exposure of that KMP officer to economic risk relating to their unvested or restricted remuneration.

## 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 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 recognition and management of risk to the Audit & Risk 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 standardised risk approach covers strategic, operational, compliance and financial risks of each strategic business unit and accountability for managing such key risks rests with the CEO and CFO of each business unit, including Corporate Head Office. In accordance with the Risk Management Methodology, formal risk assessments are conducted twice a year, with reporting to the Audit & Risk Committee on major risks and action plans.

This includes reporting on all material financial and non-financial risks across all business units. Detailed sign-offs by key process owners and internal control management questionnaires are completed by all business units bi-annually as part of the Company's full-year and half-year financial reporting procedures.

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 risk, foreign exchange exposure, hedging, credit risk, liquidity levels and monitoring of economic and financial conditions. The parameters of the all policies, including the Treasury Risk Management Policy, are periodically reviewed by the Audit & Risk Committee to ensure they remain appropriate and address current issues.

The Company's Group Internal Audit function, which is independent of all operating business units, performs regular internal audits on key areas of risk within the business to verify that the internal control framework is adequate and remains effective. In addition, projects conducted by Internal Audit also monitor the compliance with policies adopted by the Board including compliance with the relevant Delegation of Authority documents to verify that the policies adopted by the Board are implemented.

The Internal Audit Plan, agreed with management, is approved regularly at Audit & Risk Committee meetings. A summary of key internal audit findings, and control weaknesses not adequately addressed by management, is reported directly to the Audit & Risk Committee. In addition independent external projects are conducted on specialist areas on a regular basis in key businesses within the Company.

The Company's Corporate Governance and Compliance Committee monitors 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. This Committee is supported by various divisional Corporate Governance and Compliance Committees with divisional management having on-going day-to-day control of business unit risks and the implementation of the necessary action plans. These divisional Corporate Governance and Compliance Committees report at least bi-annually on their divisional risk management, compliance programs and governance processes appropriately tailored to their specific industries, to provide effective management of all relevant matters.

The responsibilities of the Committee include the formulation of annual Compliance Programs and the co-ordination and monitoring of such programs to provide timely implementation and review of action plans. The Committee reports at least bi-annually on all material aspects of such risk and compliance programs to the Audit & Risk Committee and in writing to the Chief Executive Officer and Chief Financial Officer on the appropriateness and effectiveness of these programs.

During the financial year the members of this Committee were:

Philip S. Leggo (Chair to April 2011)  
Shaun L. Driscoll (Chair from April 2011)  
Simon T. Phillipson (Deputy Chairman)  
Peter A. Harris  
Lee H. Ewe (to September 2010)  
Bryce Wolfe (from August 2010)  
Julie E. Raffae (by invitation)

The Board also receives bi-annually a signed, written statement from the Chief Executive Officer and Chief Financial Officer that the financial statements give a true and fair view in all material respects of the Company's financial condition and that its operational results are in accordance with accounting standards, that this statement is based on a sound system of risk management and internal compliance and control which implement the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

		CONSOLIDATED	
	Notes	2011 \$'000	2010 \$'000
<b>Continuing operations</b>			
Income			
Revenues	(2(a))	902,840	942,023
Other income	(2(b))	23,014	21,697
Expenses excluding finance costs	(2(d))	(851,585)	(869,467)
Finance costs	(2(e))	(51,227)	(43,355)
Share of net losses of associates and jointly controlled entities accounted for using the equity method	(2(c))	(36,135)	(4,968)
<b>Profit (loss) from continuing operations before income tax expense</b>		<b>(13,093)</b>	<b>45,930</b>
Income tax benefit	(4)	41,182	5,755
Profit after tax from continuing operations		28,089	51,685
<b>Discontinued operations</b>			
Profit after tax	(31)	176,183	65,519
<b>Net profit for the period</b>		<b>204,272</b>	<b>117,204</b>
Profit for the period is attributable to:			
Non-controlling interest (discontinued operations)	(31)	18,756	22,369
Owners of the parent		185,516	94,835
		204,272	117,204
<b>Other comprehensive income (expense)</b>			
Cash flow hedges		(1,697)	4,798
Foreign currency translation		(15,686)	(5,528)
Income tax (expense) benefit on items of other comprehensive income		509	(1,439)
Other comprehensive income (expense) for the period after tax		(16,874)	(2,169)
Total comprehensive income for the period		187,398	115,035
Total comprehensive income for the period is attributable to:			
Non-controlling interest		18,977	23,016
Owners of the parent		168,421	92,019
		187,398	115,035
<b>Earnings per share (cents per share)</b>			
For profit for the year attributable to ordinary equity holders of Village Roadshow Limited:			
- Basic and diluted earnings per share	(3)	135.85 cents	72.88 cents
For profit from continuing operations for the year attributable to ordinary equity holders of Village Roadshow Limited:			
- Basic and diluted earnings per share	(3)	20.57 cents	36.62 cents

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



# STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		CONSOLIDATED	
	Notes	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	(6(a))	431,670	101,720
Trade and other receivables	(7)	98,862	163,566
Inventories	(8)	18,365	19,600
Current tax assets		-	218
Film distribution royalties	(10(b))	27,214	28,310
Derivatives	(33(e))	2	687
Other	(10(a))	5,975	7,857
<b>Total current assets</b>		<b>582,088</b>	<b>321,958</b>
<b>Non-Current Assets</b>			
Trade and other receivables	(7)	10,148	76,420
Intangible assets:			
Radio licences	(9)	-	457,901
Goodwill	(9)	235,736	330,882
Other	(9)	42,544	58,640
Investments in associates and jointly controlled entities accounted for using the equity method	(11)	16,126	28,217
Available-for-sale investments	(12)	302	843
Property, plant & equipment	(14)	532,348	662,576
Deferred tax assets	(4(c))	2,663	34,693
Film distribution royalties	(10(b))	47,169	51,283
Other	(10(a))	2,980	4,407
<b>Total non-current assets</b>		<b>890,016</b>	<b>1,705,862</b>
<b>Total assets</b>		<b>1,472,104</b>	<b>2,027,820</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	(15)	150,450	226,358
Interest bearing loans and borrowings	(16)	46,261	66,451
Income tax payable		52,968	4,657
Provisions	(17)	28,219	27,633
Derivatives	(33(e))	2,863	3,419
Other	(18)	26,956	30,100
<b>Total current liabilities</b>		<b>307,717</b>	<b>358,618</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	(15)	30,504	31,988
Interest bearing loans and borrowings	(16)	438,923	862,362
Deferred & other income tax liabilities	(4(c))	14,324	63,486
Provisions	(17)	11,861	21,385
Derivatives	(33(e))	1,414	1,710
Other	(18)	644	2,010
<b>Total non-current liabilities</b>		<b>497,670</b>	<b>982,941</b>
<b>Total liabilities</b>		<b>805,387</b>	<b>1,341,559</b>
<b>Net assets</b>		<b>666,717</b>	<b>686,261</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Contributed equity	(19)	250,409	280,316
Reserves	(20)	82,624	319,655
Retained earnings (accumulated losses)	(20)	333,684	(42,174)
Parent interests		666,717	557,797
Non-controlling interest	(21)	-	128,464
<b>Total equity</b>		<b>666,717</b>	<b>686,261</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

		CONSOLIDATED	
	Notes	2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,280,220	1,460,328
Payments to suppliers and employees		(1,072,981)	(1,183,277)
Dividends and distributions received		5,144	6,933
Interest and other items of similar nature received		13,834	5,529
Finance costs		(61,039)	(64,456)
Income taxes paid		(15,367)	(19,071)
<b>Net cash flows from (used in) operating activities</b>	(6(b))	149,811	205,986
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant, equipment and intangibles		(78,863)	(61,587)
Proceeds from sale of property, plant & equipment		1,142	139
Purchase of equity investments		(9,780)	(940)
Proceeds on sale of equity investments <sup>1</sup>		554,923	76,354
Loans to (or repaid to) other entities		(5,363)	(34,404)
Loans from (or repaid by) other entities		34,755	11,769
Other		-	1,006
<b>Net cash flows from (used in) investing activities</b>		496,814	[7,663]
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		161,300	371,051
Repayment of borrowings <sup>2</sup>		(387,777)	(398,713)
Dividends paid		(47,800)	(38,270)
Share buybacks		(41,372)	(109,896)
<b>Net cash flows from (used in) financing activities</b>		(315,649)	(175,828)
Net increase (decrease) in cash and cash equivalents		330,976	22,495
Cash and cash equivalents at beginning of year		101,720	79,626
Effects of exchange rate changes on cash		(1,026)	[401]
<b>Cash and cash equivalents at end of year</b>	(6(a))	431,670	101,720
Total cash classified as:			
Continuing operations		431,670	93,778
Discontinued operations		-	7,942
<b>Total cash and cash equivalents at end of the period</b>		431,670	101,720

<sup>1</sup> Proceeds from sale of equity investments in 2011 of \$554.9 million includes \$171.8 million relating to the disposal of the Attractions division, being Sydney Attractions Group and Kelly Tarlton's in New Zealand, and \$376.1 million relating to the disposal of the Radio division, being Austereo Group Limited. In 2010, proceeds on disposal of \$76.4 million includes \$72.7 million relating to the disposal of the Greece and Czech Republic operations, which was effective from 1 July 2009. Refer Note 31.

<sup>2</sup> Repayment of borrowings in 2011 of \$387.8 million includes \$58.0 million relating to Sydney Attractions Group, which was repaid out of the sale proceeds relating to Sydney Attractions Group at the time of settlement of the sale.

The above statement of cash flows should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF VILLAGE ROADSHOW LIMITED				NON-CONTROLLING INTEREST	TOTAL EQUITY
	Issued Capital \$'000	Retained Earnings (Accumulated Losses) \$'000	Other Reserves (Note 20) \$'000	Total \$'000		
<b>CONSOLIDATED</b>						
<b>Balances at 1 July 2009</b>	388,739	(123,189)	323,434	588,984	\$'000 120,097	709,081
Profit for the year	-	94,835	-	94,835	22,369	117,204
Other comprehensive income (net)	-	-	(2,816)	(2,816)	647	(2,169)
<b>Total comprehensive income (expense) for the period</b>	-	94,835	(2,816)	92,019	23,016	115,035
Share-based payment movements	388	-	1,033	1,421	-	1,421
Buyback of shares- ordinary & A class preference shares	(108,811)	-	-	(108,811)	-	(108,811)
Equity dividends	-	(14,952)	-	(14,952)	-	(14,952)
Dividends paid to non-controlling interest	-	1,132	(1,132)	-	(14,897)	(14,897)
Transfers between reserves	-	-	(864)	(864)	248	-
Other changes in equity	-	-	-	-	-	(616)
<b>At 30 June 2010</b>	280,316	(42,174)	319,655	557,797	128,464	686,261
<b>Balances at 1 July 2010</b>	280,316	(42,174)	319,655	557,797	128,464	686,261
Profit for the year	-	185,516	-	185,516	18,756	204,272
Other comprehensive income (net)	-	-	(17,095)	(17,095)	221	(16,874)
<b>Total comprehensive income (expense) for the period</b>	-	185,516	(17,095)	168,421	18,977	187,398
Share-based payment movements	10,495	-	700	11,195	-	11,195
Buyback of shares- ordinary & A class preference shares	(40,525)	-	-	(40,525)	-	(40,525)
Issue of shares under Directors' Share Plan from Directors' fees	123	-	-	123	-	123
Equity dividends	-	(30,286)	-	(30,286)	-	(30,286)
Dividends paid to non-controlling interest	-	-	-	-	(17,516)	(17,516)
Disposal of non-controlling interest <sup>1</sup>	-	-	-	-	(129,925)	(129,925)
Transfers between reserves <sup>1</sup>	-	220,628	(220,628)	-	-	-
Other changes in equity	-	-	(8)	(8)	-	(8)
<b>At 30 June 2011</b>	250,409	333,684	82,624	666,717	-	666,717

<sup>1</sup> During the year ended 30 June 2011, as a result of the disposal of the VRL group's investment in Austereo, the total non-controlling interest was disposed of, and the total balance of the controlled entity share sale & buyback reserve of \$220.6 million was transferred to retained earnings.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

## (1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Village Roadshow Limited ("the Company" or "VRL") for the year ended 30 June 2011 was authorised for issue on 7 September 2011, in accordance with a resolution of the Directors. VRL is incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The principal activities of the Company and its subsidiaries are described in Note 1(c)(xxix).

### (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*, Australian Accounting Standards and other mandatory professional reporting requirements. The financial report has also been prepared on a historical cost basis, except for derivatives and any available for sale investments that are measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless stated otherwise, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

The presentation and classification of comparative items in the financial report have been adjusted where appropriate to ensure that the disclosures are consistent with the current period.

### (b) Statement of compliance and new accounting standards and interpretations

(i) The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS").

(ii) The Group has adopted the following amendments (AASB 2009-5, AASB 2009-8, AASB 2009-10, AASB 2010-3) to Australian Accounting Standards as part of the annual improvements project in the current financial year:

- AASB 2: *Share Based Payment*
- AASB 3: *Business Combinations*
- AASB 5: *Non-current Assets Held for Sale and Discontinued Operations*.
- AASB 7: *Financial Instruments: Disclosures*
- AASB 107: *Statement of Cash Flows*.
- AASB 117: *Leases*.
- AASB 118: *Revenue*.
- AASB 121: *The Effect of Changes in Foreign Exchange Rates*
- AASB 128: *Investments in Associates*
- AASB 131: *Interests in Joint Ventures*
- AASB 132: *Financial Instruments: Presentation*
- AASB 136: *Impairment of Assets*.
- AASB 139: *Financial Instrument: Recognition and Measurement*.

Adoption of these amended Accounting Standards did not have any impact on the financial position or performance of the Group.

(iii) A number of standards and interpretations have been issued by the Australian Accounting Standards Board ("AASB") prior to 30 June 2011, which are effective from a future date. Further details are as follows:

- AASB 9: *Financial Instruments*: AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project by the International Accounting Standards Board ("IASB") to replace IAS 39: *Financial Instruments: Recognition and Measurement* (AASB 139: *Financial Instruments: Recognition and Measurement*). Application date of standard, 1 January 2013, application date for Group, 1 July 2013. The impact of adoption of this standard on the Group's financial results has not yet been assessed.
- The impacts of all other standards and amendments to accounting standards that have been issued by the AASB but are not yet effective for the period ending 30 June 2011, have been determined as having no significant impact on the financial results of the Group.

(iv) The following standards have been issued by the AASB after 30 June 2011, and they all have an application date of 1 January 2013, and an application date for the Group of 1 July 2013. The impacts of adoption of these standards on the Group's financial results have not yet been assessed. Further details are as follows:

- AASB 10: *Consolidated Financial Statements*: AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127: *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112: *Consolidation – Special Purpose Entities*.

- AASB 11: *Joint Arrangements*: AASB 11 replaces AASB 131: *Interests in Joint Ventures* and Interpretation 113: *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Group.
- AASB 12: *Disclosure of Interests in Other Entities*: AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.
- AASB 13: *Fair Value Measurement*: AASB 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.

### (c) Summary of significant accounting policies

#### (i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Village Roadshow Limited and its subsidiaries ("the Group", "VRL group" or "consolidated entity") as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial report, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Non-controlling interests represent the portion of profit or loss and net assets in Austereo Group Limited not held by the Group, and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Summary of significant accounting policies (continued)

#### (iii) Revenue recognition

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

#### (a) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

#### (b) Rendering of services

Revenue from the rendering of services is recognised when control of a right to be compensated for the services has been attained by reference to the stage of completion. 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.

#### (c) Interest income

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### (d) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

#### (e) Unearned income

Income relating to future periods is initially recorded as unearned income, and is then recognised as revenue over the relevant periods of admission or rendering of other services.

#### (iv) Borrowing costs

Borrowing costs are expensed as incurred, except where they are directly attributable to qualifying assets. Where directly attributable to a qualifying asset, borrowing costs are capitalised as part of the cost of that asset.

#### (v) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in the profit or loss as an integral part of the total lease expense.

#### (vi) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (vii) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts. Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. Objective evidence takes into account financial difficulties of the debtor, default payments or if there are debts outstanding longer than agreed terms.

#### (viii) Inventories

Inventories are valued at the lower of cost and net realisable value and are accounted for on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (ix) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps, caps and collars (floors and caps) to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as effective cash flow hedges, are taken directly to net profit or loss for the year. The fair values of forward currency contracts and interest rate swaps, caps and collars are determined by reference to valuations provided by the relevant counterparties, which are reviewed for reasonableness by the Group using discounted cash flow models.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that are attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. Where a hedge meets the strict criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to the profit or loss when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Summary of significant accounting policies (continued)

#### (x) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

##### (a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

##### (b) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

##### (c) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

#### (xi) Foreign currency translation

Both the functional and presentation currency of the Company and the majority of its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of subsidiaries with functional currencies other than Australian dollars are translated into the

presentation currency of the Company at the rate of exchange ruling at the reporting date and their profit or loss items are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

#### (xii) Discontinued operations and assets held for sale

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if the carrying amount will be recovered principally through a sale transaction. These assets are not depreciated or amortised following classification as held for sale. For an asset or disposal group to be classified as held for sale, it must be available for sale in its present condition and its sale must be highly probable.

#### (xiii) Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of changes in equity. Adjustments are made to bring into line any dissimilar reporting dates or accounting policies that may exist.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

#### (xiv) Interests in joint venture entities and jointly controlled operations

The Group has interests in joint ventures in the form of both jointly controlled operations and joint venture entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interests in joint venture entities by using the equity method of accounting (refer Note 1(c)(xiii)). The Group recognises its interest in jointly controlled operations by recognising its share of the assets that the operations control and the liabilities incurred. The Group also recognises its share of the expenses incurred and the income that the operations earn from the sale of goods or services.

#### (xv) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Summary of significant accounting policies (continued)

#### (xv) Income tax (continued)

- combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in other comprehensive income are recognised in other comprehensive income, and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **Tax Consolidation**

For Australian income tax purposes, various entities in the Group have formed Tax Consolidated groups, and have executed combined Tax Sharing and Tax Funding Agreements ("TSA's") in order to allocate income tax expense to the relevant wholly-owned entities predominantly 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.

#### **Tax effect accounting by members of the tax consolidated groups**

Under the terms of the TSA's, wholly owned entities compensate the head entity for any current tax payable assumed and are compensated for any current tax receivable, and are also compensated for deferred tax assets relating to unused tax losses or unused tax credits that are recognised on transfer to the parent entity under tax consolidation legislation. The funding amounts are determined at the end of each six month reporting period by reference to the amounts recognised in the wholly-owned entities financial statements determined predominantly on a stand alone basis. Amounts receivable or payable under the TSA's are included with other amounts receivable or payable between entities in the Group.

#### (xvi) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (xvii) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings and improvements are depreciated over 40 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.

Pooled animals are classified as part of property, plant and equipment and are not depreciated.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end, and when acquired as part of a business combination.

#### **Impairment**

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

#### **De-recognition and disposal**

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

#### (xviii) Investments and other financial assets

Financial assets in the scope of AASB 139: *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### (a) Financial assets at fair value through profit or loss

In accordance with AASB 7: *Financial Instruments: Disclosures*, financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Summary of significant accounting policies (continued)

#### (xviii) Investments and other financial assets (continued)

##### (a) Financial assets at fair value through profit or loss (continued)

as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss. It should be noted that even though these assets are classified as held for trading (in accordance with AASB 139 terminology), the Group is not involved in speculative activities and only uses derivatives for risk management purposes.

##### (b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process. The Group does not currently have held-to-maturity investments.

##### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired.

##### (d) Available-for-sale investments

Available-for-sale investments are those derivative financial assets that are designated as available-for-sale or not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised in other comprehensive income until the investments are de-recognised or until the investments are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

#### (xix) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with AASB 8: *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

#### (xx) Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

##### **Brand Names**

*Useful lives:* Indefinite

*Amortisation method used:* No amortisation

*Internally generated or acquired:* Acquired

*Impairment testing:* Annually and more frequently when an indication of impairment exists.

##### **Film Distribution Rights**

*Useful lives:* Finite

*Amortisation method used:* Amortised over estimated useful lives which range from 1 to 25 years.

*Internally generated or acquired:* Acquired

*Impairment testing:* When an indication of impairment exists.

The amortisation method and remaining useful life are reviewed at each financial year-end.

##### **Other Intangibles**

*Useful lives:* Finite

*Amortisation method used:* Amortised over estimated useful lives which range from 2 to 15 years

*Internally generated or acquired:* Acquired

*Impairment testing:* When an indication of impairment exists. The amortisation method and remaining useful life are reviewed at each financial year-end.

##### **Radio Licences**

*Useful lives:* Indefinite

*Amortisation method used:* No amortisation

*Internally generated or acquired:* Acquired

*Impairment testing:* Annually and more frequently when an indication of impairment exists.

The radio licences of Austereo Group Limited and its subsidiaries ("Austereo") were carried at original cost less any impairment losses. This value was supported by an independent valuation which was commissioned annually and updated six monthly. The independent



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Summary of significant accounting policies (continued)

#### (xx) Intangible assets (continued)

valuation employed as its primary valuation methodology a discounted cash flow ("DCF") analysis 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 were then discounted at rates which reflected Austereo's pre-tax asset specific discount rate as at the most recent balance date. The independent valuer also cross referenced its DCF-based valuation with a number of secondary valuation methodologies which were intended to determine the fair market value of the licences of Austereo's radio stations.

During the year ended 30 June 2011, VRL disposed of its shareholding in Austereo (refer Note 31 for further disclosures).

#### (xxi) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the nature of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. Other than goodwill, a previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### (xxii) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

#### (xxiii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are de-recognised.

#### (xxiv) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### (xxv) Employee leave benefits

##### *Wages, salaries, annual leave and sick leave*

Provision is made for wages and salaries, including non-monetary benefits, and annual leave in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. The value of the employee share incentive scheme is being charged as an employee benefits expense. Refer to Note 1(c)(xxvi) for the share-based payment transactions policy.

##### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### (xxvi) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The plans currently in place to provide these benefits are the Company's Executive Share Plan and Loan Facility, Austereo Group Ltd's Executive Share Plan and Loan Facility, and the 2008 Option Plan for the Company's Chief Executive Officer, which provide benefits to directors and senior executives. The grant of rights under these plans are treated as "in substance options", even where the equity instrument is not an option.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either the Monte Carlo, binomial or Black-Scholes models. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of VRL (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Summary of significant accounting policies (continued)

#### (xxvii) Share-based payment transactions (continued)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (refer Note 3).

Shares in the Group relating to the various employee share plans and which are subject to non-recourse loans are deducted from equity. Refer Note 26 for share-based payment disclosures relating to "in substance options".

#### (xxviii) Contributed equity

Ordinary and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the buyback of shares are shown in equity, net of tax, as part of the buyback cost.

#### (xxix) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

When there are potential ordinary shares that are dilutive, diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (xxx) Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Discrete financial information about each of these segments is reported to the executive management team on a monthly basis. These operating segments are then aggregated based on similar economic characteristics to form the following reportable segments:

- |                     |   |
|---------------------|---|
| - Theme Parks       | Theme park and water park operations  |
| - Cinema Exhibition | Cinema exhibition operations  |
| - Film Distribution | Film, DVD and video distribution operations   |
| - Other             | Other represents financial information which is not reported in one of the reportable segments. |

During the year ended 30 June 2011, the VRL group disposed of its shareholding in Austereo (being the former Radio segment, which comprised FM radio operations) and also disposed of its investment in Sydney Attractions Group and Kelly Tarlton's in New Zealand (being the former Attractions segment, which comprised aquariums and other attraction operations). Refer Note 31 for further disclosures.

A geographic region is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those segments operating in other economic environments. Revenue from geographic locations is attributed to geographic location based on the location of the customers.

The segment revenue that is disclosed to the chief operating decision maker in Note 30 is in accordance with IFRS. Inter-segment revenue applies the same revenue recognition principles as per Note (1)(c)(iii).

#### (xxxi) Financial guarantees

The fair values of financial guarantee contracts as disclosed in Note 15 and Note 32 have been assessed using a probability weighted discounted cash flow approach. In order to estimate the fair value under this approach the following assumptions were made:

- Probability of Default: This represents the likelihood of the guaranteed party defaulting in the remaining guarantee period and is assessed based on historical default rates of companies rated by Standard & Poors. The probability of default ranges used for the years ended 30 June 2011 and 30 June 2010 were 19.5% to 25.8%.

- Recovery Rate: This represents the estimated proportion of the exposure that is expected to be recovered in the event of a default by the guaranteed party and is estimated based on the business of the guaranteed parties. The recovery rate ranges used for the years ended 30 June 2011 and 30 June 2010 were 40% to 60%.

The values of the financial guarantees over each future year of the guarantees' lives is discounted over the contractual term of the guarantees to reporting date to determine the fair values. The contractual term of the guarantees matches the underlying obligations to which they relate. The financial guarantee liabilities determined using this method are then amortised over the remaining contractual term of the guarantees.

#### (xxxii) Film distribution royalties

Film distribution royalties represent the consolidated entity's minimum guaranteed royalty commitments to licensors in return for the acquisition of distribution rights. The commitments can be for either the life of contract or part thereof. On entering into the agreement the commitments are brought to account in the statement of financial position as assets and liabilities (the latter in respect of any unpaid components).

Film distribution royalties are expensed in line with the exploitation of the distribution rights. At the time the distribution rights are first exploited, a forecast of the lifetime earnings and royalties is made and any impairment is immediately taken to profit or loss. The forecast royalties are then reviewed and revised over the commitment period to ensure the carrying amount is equal to the lesser of the expected future royalties to be generated or the balance of the minimum guaranteed royalties.

#### (d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### (i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 9.

##### (ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, a Monte Carlo simulation technique or the Black-Scholes model, as appropriate, using the assumptions detailed in Note 26.

##### (iii) Impairment of film distribution royalties

The Group determines whether film distribution royalties are impaired at least at each balance date. This requires an estimation of the recoverable amount of the film distribution royalties based on calculations of the discounted cash flows expected to be received in relation to the royalties.

##### (iv) Income Taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due (refer to Note 22(a)(vi)). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

##### (v) Impairment of non-financial assets other than goodwill and indefinite life intangibles

The group assesses for impairment of assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger is identified, the recoverable amount of the asset is determined.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>(2) REVENUE AND EXPENSES</b>		
<b>(a) Revenue from continuing operations</b>		
Sale of goods	348,280	362,472
Rendering of services	541,006	574,377
Finance revenue —		
Other entities	11,892	4,263
Associated entities	1,662	911
<b>Total revenues from continuing operations</b>	<b>902,840</b>	<b>942,023</b>
<b>(b) Other Income from continuing operations</b>		
Management Fees from —		
Other entities	5,322	4,761
Associated entities	2,083	1,889
Net gains on disposal of investments in associates and other entities	–	1,344
Net gains on disposal of property, plant and equipment	716	–
Other	14,893	13,703
<b>Total other income from continuing operations</b>	<b>23,014</b>	<b>21,697</b>
<b>(c) Share of net profits (losses) of associates and joint venture entities/ partnerships accounted for using the equity method from continuing operations</b>		
Share of associates' net profits (losses) (refer Note 11(a))	(35,285)	5,918
Share of joint venture entities'/partnerships' net profits (losses) (refer Note 11(b))	(850)	(10,886)
	<b>(36,135)</b>	<b>(4,968)</b>
<b>(d) Expenses excluding finance costs from continuing operations</b>		
Employee expenses —		
Employee benefits	13,354	11,843
Defined contribution superannuation expense	12,495	12,734
Share-based payments expense	700	978
Remuneration and other employee expenses	180,286	178,703
<b>Total employee expenses</b>	<b>206,835</b>	<b>204,258</b>
Cost of goods sold	83,693	78,216
Occupancy expenses —		
Operating lease rental – minimum lease payments	42,012	39,499
Operating lease rental – contingent rental payments	3,938	6,949
Other occupancy expenses	31,120	28,621
<b>Total occupancy expenses</b>	<b>77,070</b>	<b>75,069</b>
Film hire and other film expenses	232,690	269,145
Depreciation of —		
Buildings & improvements	2,706	2,492
Plant, equipment & vehicles	35,303	34,105
Amortisation of —		
Leasehold improvements	8,754	8,295
Finance lease assets	1,548	1,673
Deferred expenditure	–	22
Other intangibles	6,060	6,955
<b>Total depreciation and amortisation</b>	<b>54,371</b>	<b>53,542</b>
Net Loss on disposal of property, plant and equipment	–	710
Net Loss on disposal of investments	1,013	–
Net Loss on disposal of receivables	45	175
Net foreign currency (gains) losses (refer Note 30(b) for 2010)	3,689	5,798
Impairments and provisions relating to non-current assets and onerous leases (refer Note 30(b))	20,097	2,145
Unrealised fair value (gain) loss on foreign exchange derivatives (refer Note 30(b))	81	(74)
Management and services fees paid	3,077	4,054
Advertising and promotions	95,658	93,735
Regulatory and licensing fees	4,841	4,378
Telecommunications	2,830	2,795
Legal expenses	1,855	1,867
General and administration expenses —		
Provision for doubtful debts	(180)	463
Bad debts written off (written back) – other	(423)	(149)
Other general and administration expenses	64,343	73,340
<b>Total general and administration expenses</b>	<b>63,740</b>	<b>73,654</b>
<b>Total expenses excluding finance costs from continuing operations</b>	<b>851,585</b>	<b>869,467</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(2) REVENUE AND EXPENSES</b> (continued)		
<b>(e) Finance costs from continuing operations</b>		
Bank loans and overdrafts	48,126	46,163
Finance charges payable under finance leases and hire purchase contracts	44	34
Make good provision discount adjustment	94	82
Other	4,327	2,993
Total finance costs before fair value change on derivatives	52,591	49,272
Fair value change on interest rate derivatives not designated in a hedging relationship	(1,364)	(5,917)
<b>Total finance costs from continuing operations</b>	<b>51,227</b>	<b>43,355</b>

## (3) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit less preference dividends paid and accrued for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	CONSOLIDATED	
	2011	2010
<b>(a) Earnings per share:</b>		
Net profit attributable to ordinary equity holders of VRL		
Basic and diluted EPS	135.85 cents	72.88 cents
Net profit from continuing operations attributable to ordinary equity holders of VRL		
Basic and diluted EPS	20.57 cents	36.62 cents

**(b) The following reflects the income and share data used in the basic earnings per share computations:**

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
Net profit attributable to ordinary equity holders of VRL from continuing operations	28,089	51,685
Net profit attributable to ordinary equity holders of VRL from discontinued operations	157,427	43,150
Net profit attributable to ordinary equity holders of VRL	185,516	94,835
	2011	2010
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic earnings per share <sup>1</sup>	136,554,235	119,015,814

<sup>1</sup> There are no potential ordinary shares that are dilutive. The 5,742,904 issued options were reviewed and determined not to be potential ordinary shares as at 30 June 2011 and 2010.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Under Accounting Standard AASB 2: *Share Based Payment*, shares issued under the company's various share plans are described as 'in-substance options' but are included in ordinary shares for the purposes of the EPS calculation.

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(4) INCOME TAX</b>		
<b>(a) Major components of income tax expense from continuing operations for the years ended 30 June 2011 and 2010 are:</b>		
<b>Statement of Comprehensive Income</b>		
<b>Current income tax</b>		
Current income tax (expense) benefit	7,070	2,596
Adjustments in respect of current income tax of prior years	12,455	-
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	(4,311)	(14,928)
Movements taken up in equity instead of income tax (expense) benefit	(562)	(1,713)
Foreign tax credits not previously brought to account	1,630	-
<b>Other non-current tax liabilities</b>		
Other	24,900	19,800
Income tax (expense) benefit reported in statement of comprehensive income – continuing operations	41,182	5,755

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(4) INCOME TAX</b> <i>(continued)</i>		
<b>(b) A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:</b>		
Accounting profit (loss) before income tax	(13,093)	45,930
At the statutory income tax rate of 30% (2010: 30%)	3,928	(13,779)
Adjustments in respect of current income tax of previous years (included in Note 30(b) for 2011)	12,455	1,509
Other deductible expenses (included in Note 30(b))	9,035	-
Net losses of overseas subsidiaries not brought to account	(3,396)	-
Foreign tax credits not previously brought to account, now utilised or brought to account (included in Note 30(b) for 2011)	5,832	1,021
After-tax equity accounted profits (losses) included in pre-tax profit	(10,841)	(923)
Adjustments to deferred tax assets and other non-current tax liabilities (included in Note 30(b))	24,900	19,800
Other	(731)	(1,873)
Total income tax benefit – continuing operations (at effective tax rate of n/a (2010: n/a))	41,182	5,755
Income tax (expense) – discontinued operations (refer Note 31)	(83,618)	(13,496)
Total income tax (expense)	(42,436)	(7,741)

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>(c) Deferred tax</b>				
Deferred income tax at 30 June relates to the following:				
<b>CONSOLIDATED</b>				
<b>Deferred tax liabilities</b>				
Property, plant & equipment	30,614	37,974	7,360	(2,557)
Film distribution royalties	22,089	23,660	1,571	5,417
Intangible assets	2,561	5,356	2,795	1,996
Other	4,528	7,036	2,508	1,692
Net-down with deferred tax assets	(45,468)	(35,440)	-	-
Total deferred income tax liabilities	14,324	38,586		
<b>Other non-current tax liabilities</b>				
Other	-	24,900	24,900	19,800
<b>Deferred tax assets</b>				
Post-employment benefits	6,980	9,723	(2,743)	95
Property, plant & equipment	11,221	15,662	(4,441)	6,024
Sundry creditors & accruals	2,733	4,217	(1,484)	(763)
Provision for doubtful debts	627	1,897	(1,270)	(42)
Expenses deductible over five year period	1,351	1,256	95	(1,806)
Provisions and unrealised foreign currency losses	16,520	11,129	5,391	1,415
Unearned income	1,319	1,805	(486)	(103)
Lease & other liabilities	-	5,993	(5,993)	(2,661)
Booked income tax losses & foreign tax credits	1,737	11,203	(9,466)	(15,406)
Other	5,643	7,248	(1,605)	(859)
Net-down with deferred tax liabilities	(45,468)	(35,440)	-	-
Total deferred income tax assets	2,663	34,693		
Deferred income tax (expense) benefit			17,132	12,242

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(4) INCOME TAX</b> (continued)		
<b>(d) The following deferred tax assets arising from tax losses and credits have not been brought to account as realisation of those benefits is not probable —</b>		
Benefits for foreign tax credits <sup>1</sup>	-	5,532
Benefits for capital losses <sup>2,3</sup>	-	28,757

<sup>1</sup> Following further utilisation of the unbooked foreign tax credits in the year ended 30 June 2011, the remaining balance of \$1.6 million has been brought to account as at 30 June 2011.

<sup>2</sup> As a result of the sale of VRL's investment in Austereo in the year ended 30 June 2011, the unbooked capital losses belonging to Austereo have been disposed of, and the unbooked capital losses relating to the VRL group have been fully utilised by the estimated capital gain arising on the sale of Austereo.

<sup>3</sup> The unbooked capital losses as at 30 June 2010 included an amount of \$12.5 million which would only have been able to be utilised in accordance with an available fraction of 30%. As a result of changes to relevant legislation in the year ended 30 June 2011, this capital loss amount has been re-characterised as a revenue loss, and as a result, has been taken up as a prior year adjustment due. VRL intends to lodge the relevant documentation with the Australian Taxation Office in order to obtain this refund.

## Austereo Group Limited – Tax Consolidation

Effective from 1 July 2002, Austereo Group Limited ("Austereo") and its relevant wholly-owned entities had formed a Tax Consolidated group. Members of the group had entered into a combined Tax Sharing and Tax Funding agreement ("TSA") in order to allocate income tax expense to the wholly-owned entities predominantly on a stand-alone basis. In addition, the TSA provided 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 30 June 2010, the possibility of default was remote. The head entity of the Tax Consolidated group was Austereo. Austereo had formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

During the year ended 30 June 2011, the VRL group disposed of its shareholding in Austereo (refer Note 31 for further disclosures).

## Village Roadshow Limited – Tax Consolidation

Effective from 1 July 2003, VRL and its relevant wholly-owned entities have formed a Tax Consolidated group. Members of the Tax Consolidated group have entered into a TSA in order to allocate income tax expense to the wholly-owned entities predominantly 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 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 is VRL. VRL has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

## Village Roadshow Limited – Tax Consolidation contribution amounts

In the year ended 30 June 2011, VRL recognised a decrease in deferred tax assets relating to booked income tax losses of \$30.9 million, and an increase in inter-company receivables of the same amount in relation to tax consolidation contribution amounts. In the year ended 30 June 2010, VRL recognised a decrease in deferred tax assets relating to booked income tax losses of \$38.1 million, and an increase in inter-company receivables of the same amount in relation to tax consolidation contribution amounts.

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000

## (5) DIVIDENDS PAID AND PROPOSED<sup>1</sup>

### (a) Declared during the year

Partly-franked (to 70%) special dividend on ordinary shares of 12.0 cents per share (2010: Nil cents per share) <sup>2</sup>	18,172	-
Partly-franked (to 70%) interim dividend on ordinary shares of 8.0 cents per share (2010: Nil cents per share) <sup>2</sup>	12,114	-
Fully-franked final dividend on A Class preference shares of nil cents per share (2010: 9.0 cents per share)	-	8,099
Fully-franked final dividend on ordinary shares of nil cents per share (2010: 6.0 cents per share)	-	6,853
	30,286	14,952

### (b) Declared subsequent to year-end

Fully-franked distribution on ordinary shares of 80.0 cents per share (2010: Nil cents per share) <sup>3</sup>	121,167	-
Fully-franked final dividend on ordinary shares of 8.0 cents per share (2010: Nil cents per share) <sup>4</sup>	12,117	-
	133,284	-

<sup>1</sup> The tax rate at which paid dividends have been franked is 30% (2010: 30%).

<sup>2</sup> The unfranked amounts (30%) of the special dividend of 12.0 cents per share and the interim dividend of 8.0 cents per share declared in the year ended 30 June 2011 represent conduit foreign income.

<sup>3</sup> The fully-franked distribution of 80.0 cents per ordinary share, being part of the total distribution of \$1.00 per ordinary share, which was declared and paid subsequent to year-end, has not been accrued in the 30 June 2011 accounts.

<sup>4</sup> The final dividend for the year ended 30 June 2011, which was declared subsequent to year-end, has not been accrued in the 30 June 2011 accounts.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000

## (6) CASH AND CASH EQUIVALENTS

### (a) Reconciliation of cash

Cash on hand and at bank	45,238	60,429
Deposits at call	386,432	41,291
<b>Total cash and cash equivalents – continuing operations</b>	<b>431,670</b>	<b>101,720</b>

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

Total cash and cash equivalents – continuing operations	431,670	101,720
<b>Total cash and cash equivalents for the purposes of the statement of cash flows</b>	<b>431,670</b>	<b>101,720</b>

### (b) Reconciliation of operating profit after tax to net operating cash flows

Net profit	204,272	117,204
Adjustments for:		
Depreciation	44,682	46,606
Amortisation	18,757	20,851
Impairment and write-downs of non-current assets (refer Notes 2(d) and 30(b))	16,502	22,145
Provisions	4,539	(2,000)
Net (gains) losses on disposal of assets	(200,897)	(26,454)
Unrealised foreign currency (profit) loss	134	911
Unrealised derivative (gain) loss (refer Notes 2(d), 2(e) and 30(b))	(1,571)	(7,083)
Share of equity accounted losses	34,409	10,010
Changes in assets & liabilities:		
(Increase) decrease trade and other receivables	17,282	20,087
Increase (decrease) trade and other payables	(36,284)	18,525
(Increase) decrease net current tax assets	52,968	(400)
Increase (decrease) unearned income	461	(268)
Increase (decrease) other payables and provisions	16,132	(21,351)
(Increase) decrease inventories	(491)	740
(Increase) decrease capitalised borrowing costs	860	(387)
Increase (decrease) deferred and other income tax liabilities	(25,899)	(10,930)
(Increase) decrease prepayments and other assets	3,955	17,780
<b>Net operating cash flows</b>	<b>149,811</b>	<b>205,986</b>

### (c) Financing facilities available

At reporting date, the following financing facilities were available:

Total facilities	500,367	1,062,268
Facilities used at reporting date	492,367	933,368
<b>Facilities unused at reporting date</b>	<b>8,000</b>	<b>128,900</b>

Refer also to Note 16 in relation to a facility which is in the process of being re-negotiated, and to Note 33 for an analysis of the Group's liquidity profile.

## (7) TRADE AND OTHER RECEIVABLES

### Current:

Trade and other receivables	108,588	179,727
Provision for impairment loss (a)	(9,726)	(16,161)
	<b>98,862</b>	<b>163,566</b>

### Non-current:

Trade and other receivables	9,803	9,986
Unsecured advances – other	345	4,564
	<b>10,148</b>	<b>14,550</b>
Due from associated entities	83,587	102,832
Provision for impairment loss (b)	(83,587)	(40,962)
	<b>–</b>	<b>61,870</b>
	<b>10,148</b>	<b>76,420</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## CONSOLIDATED

	2011 \$'000	2010 \$'000
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### (7) TRADE AND OTHER RECEIVABLES (continued)

#### (a) Trade & other receivables and provision for impairment loss

At 30 June, the overdue ageing analysis of trade and other receivables is as follows:

0 to 3 months	108,665	173,552
0 to 3 months – CI*	306	1,716
3 to 6 months – CI*	327	707
> 6 months – CI*	9,093	13,738
<b>Total trade and other receivables before provisions</b>	<b>118,391</b>	<b>189,713</b>

\* Past due not impaired ("PDNI") (none disclosed)  
Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2010: Nil).

Trade receivables are non-interest bearing and are generally on 30-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired (refer Note 33(c)(i)).

Movements in the provision for impairment loss were as follows:

Carrying amount at beginning	16,161	16,648
Increase for the year	106	1,559
Decrease for the year	(6,541)	(2,046)
<b>Carrying amount at end</b>	<b>9,726</b>	<b>16,161</b>

#### (b) Due from associated entities and provision for impairment loss

At 30 June, the overdue ageing analysis of amounts owing by associated entities is as follows:

0 to 3 months	-	61,870
0 to 3 months – CI*	83,587	40,962
<b>Total due from associated entities before provisions</b>	<b>83,587</b>	<b>102,832</b>

\* Past due not impaired ("PDNI") (none disclosed)  
Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2010: Nil).

Movements in the provision for impairment loss were as follows:

Carrying amount at beginning	40,962	15,698
Increase for the year	43,737	25,544
Decrease for the year	(1,112)	(280)
<b>Carrying amount at end</b>	<b>83,587</b>	<b>40,962</b>

### (8) INVENTORIES

#### Current:

Merchandise held for resale – at cost	19,837	21,419
Provision for stock loss	(1,472)	(1,819)
	<b>18,365</b>	<b>19,600</b>

Note: Cost of goods sold expense is mainly represented by amounts paid for inventories – refer Note 2(d).



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (9) INTANGIBLE ASSETS AND GOODWILL

FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED

	Film Distribution Rights \$'000	Radio Licences <sup>1</sup> \$'000	Goodwill \$'000	Brand Names <sup>2</sup> \$'000	Other \$'000	Total \$'000
<b>At 1 July 2010</b>						
Cost	34,213	457,901	367,813	39,077	25,814	924,818
Accumulated amortisation and impairment	(27,895)	-	(36,931)	(600)	(11,969)	(77,395)
Net carrying amount	6,318	457,901	330,882	38,477	13,845	847,423
<b>Year ended 30 June 2011</b>						
At 1 July 2010, net of accumulated amortisation and impairment	6,318	457,901	330,882	38,477	13,845	847,423
Additions	-	-	1,032	-	1,106	2,138
Net foreign currency movements arising from investments in foreign operations	-	-	(2,171)	(121)	(2,098)	(4,390)
Impairments	-	-	(3,504)	-	-	(3,504)
Disposals	-	(457,901)	(90,503)	(6,230)	(2,693)	(557,327)
Amortisation	(5,096)	-	-	-	(964)	(6,060)
Net carrying amount	1,222	-	235,736	32,126	9,196	278,280
<b>At 30 June 2011</b>						
Cost	34,213	-	239,019	32,726	21,293	327,251
Accumulated amortisation and impairment	(32,991)	-	(3,283)	(600)	(12,097)	(48,971)
Net carrying amount	1,222	-	235,736	32,126	9,196	278,280

FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED

	Film Distribution Rights \$'000	Radio Licences <sup>1</sup> \$'000	Goodwill \$'000	Brand Names <sup>2</sup> \$'000	Other \$'000	Total \$'000
<b>At 1 July 2009</b>						
Cost	34,213	453,194	371,024	39,077	26,426	923,934
Accumulated amortisation and impairment	(22,473)	-	(36,931)	(600)	(10,180)	(70,184)
Net carrying amount	11,740	453,194	334,093	38,477	16,246	853,750
<b>Year ended 30 June 2010</b>						
At 1 July 2009, net of accumulated amortisation and impairment	11,740	453,194	334,093	38,477	16,246	853,750
Additions	-	4,707	-	-	-	4,707
Net foreign currency movements arising from investments in foreign operations	-	-	(397)	-	(612)	(1,009)
Disposals	-	-	(885)	-	-	(885)
Adjustments relating to liquidation/dissolution of subsidiaries	-	-	(1,929)	-	-	(1,929)
Amortisation	(5,422)	-	-	-	(1,789)	(7,211)
Net carrying amount	6,318	457,901	330,882	38,477	13,845	847,423
<b>At 30 June 2010</b>						
Cost	34,213	457,901	367,813	39,077	25,814	924,818
Accumulated amortisation and impairment	(27,895)	-	(36,931)	(600)	(11,969)	(77,395)
Net carrying amount	6,318	457,901	330,882	38,477	13,845	847,423

Notes:

<sup>1</sup> As at 30 June 2010, Austereo Group Limited and its subsidiaries ("Austereo") reflected the carrying value of Radio Licences at cost of \$870.0 million. This value was supported by an independent valuation which was commissioned annually and updated six monthly. The carrying value of Radio Licences by Austereo Group Limited was below the lower end of the range of estimates provided by the independent valuer. The VRL group had continued to record these Radio Licences at original cost of \$457.9 million. Both the \$870.0 million and \$457.9 million amounts referred to above represented 100% of the Radio Licences as at 30 June 2010. During the year ended 30 June 2011, the VRL group disposed of its shareholding in Austereo (refer Note 31).

<sup>2</sup> The majority of the brand names relate to the Village Roadshow Theme Parks group.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (9) INTANGIBLE ASSETS AND GOODWILL (continued)

### (a) Impairment testing of goodwill, radio licences and brand names

Goodwill and indefinite life intangible assets are tested at least annually for impairment based upon the recoverable amount of the appropriate cash generating units ("CGU's") to which the goodwill and indefinite life intangibles have been allocated. Details of the Group's main goodwill and indefinite life intangible assets are provided below.

#### Goodwill assessed on the basis of fair value less cost to sell:

The recoverable amount of the material balances of the Group's goodwill has been determined based on fair value less costs to sell ("FVLCS") calculations. The key assumptions on which the Group has based cash flow projections when determining FVLCS were that projected future performance was based on past performance and expectations for the future, and that no significant events were identified which would cause the Group to conclude that past performance was not an appropriate indicator of future performance. The pre-tax discount rate applied to the cash flow projections was in the range of 14.1% to 15.5% (2010: 14.7% to 15.5%). Cash flows used are from the Group's 5 year plans. Cash flows beyond five years have been extrapolated using a terminal growth rate of 3% (2010: 3%). The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU's operate. Goodwill allocated to cash generating units for impairment testing include material groupings and 2011 balances as follows:

- Village Roadshow Theme Parks group - \$137.1 million (2010: \$137.1 million) (re: Australian Theme Park interests)
- Roadshow Distributors Pty. Ltd. group - \$57.1 million (2010: \$57.1 million) (re: Film Distribution interests)
- Village Cinemas Australia Pty. Ltd. - \$28.9 million (2010: \$28.9 million) (re: Australian Theatres Joint Venture cinema circuit)
- Sydney Attractions Group Pty. Ltd. group - Nil (2010: \$90.0 million) (re: Sydney Attractions Group - disposed of during 2011 - refer Note 31)
- Village Roadshow Theme Parks USA Inc. - \$5.9 million (2010: \$11.5 million) (re: Wet'n'Wild Hawaii)

#### Impairment losses recognised:

An impairment loss of \$3.5 million was recognised for continuing operations in the year ended 30 June 2011. The impairment related to goodwill acquired as part of the purchase of Wet'n'Wild Hawaii. The impairment loss has been included with other impairment amounts disclosed in Note 2(d). The cash generating unit consists of the consolidated assets of the Wet'n'Wild Hawaii water park and the recoverable amount was based on fair value less cost to sell.

#### Radio Licences (2010 comparative purpose only):

Radio licences are classified as indefinite life intangible assets and are therefore subject to annual impairment testing. For the purposes of impairment testing the licences have been allocated to individual cash generating units, the most significant being Australian metropolitan radio.

The recoverable amount of the radio licences has been determined using an independent valuation which is commissioned annually and updated six monthly. The independent valuation employs as its primary valuation methodology, a value in use calculation, being a discounted cash flow ("DCF") analysis of Austereo's future projected cash flows for six years adjusted for a termination value based on current market estimates. Six years has been used as the projection period to ensure consistency with the DCF valuation approach adopted since the listing of Austereo Group Limited in 2001. Key assumptions underpinning the DCF analysis relate to:

- growth in the radio market;
- the revenue shares achieved by each CGU in their relevant market; and
- cost inflation.

The growth in the radio market is determined by reference to the long term historical growth rate and nominal GDP estimates published by leading long term economic forecasters. The growth rate used in the DCF beyond the most recent budgets/forecasts averages 5%. Cost inflation is determined by reference to CPI estimates published by leading long term economic forecasters and the Reserve Bank of Australia's CPI target band. Revenue share forecasts for each CGU are determined via reference to actual results achieved and trends identified in relevant statistics made available to the radio industry. The discount rates applied to cash flow projections in 2010 ranged from 10.0% to 12.3%. Various secondary valuation techniques were also applied to assess the fair market value of the licences, as a cross reference analysis to support assumptions in the primary DCF valuation. During the year ended 30 June 2011, the Group sold its investment in Austereo (refer Note 31).

#### Brand Names:

Brand names owned by the Village Roadshow Theme Parks group are classified as indefinite life intangible assets and are therefore subject to annual impairment testing. For the purposes of impairment testing the brand names have been allocated to individual CGU's within the Australian Theme Parks (2011: \$31.1 million, 2010: \$31.1 million). Cash flows used are from the Group's 5 year plans. Cash flows beyond 5 years have been extrapolated using a terminal growth rate of 3% (2010: 3%). The pre-tax discount rates applied to cash flow projections ranged from 14.8% to 16.1% (2010: 14.7% to 16.1%).

#### Sensitivity to changes in assumptions:

With regard to the assessment of the recoverable amount of intangible assets, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying values to materially exceed recoverable amounts.

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(10) OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES</b>		
<b>(a) Other Assets</b>		
<i>Current:</i>		
Film projects, production advances and other work in progress	34	977
Prepayments	5,781	6,459
Other assets	160	421
	5,975	7,857
<i>Non-current:</i>		
Security deposits	1,279	1,627
Other assets	1,701	2,780
	2,980	4,407

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(10) OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES</b> (continued)		
<b>(b) Film Distribution Royalties</b>		
Opening balance	79,593	114,531
Disposal – discontinued operations	–	(18,792)
Additions	34,898	37,654
Foreign currency movements	(3,611)	243
Film hire and other film expenses	(36,497)	(54,043)
	<u>74,383</u>	<u>79,593</u>
Current film distribution royalties	27,214	28,310
Non-current film distribution royalties	47,169	51,283
	<u>74,383</u>	<u>79,593</u>

## (11) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD <sup>1,2,3</sup>

### Non-current:

Investments in associates – unlisted shares	13,125	25,450
Investments in jointly controlled entities/partnerships	3,001	2,767
	<u>16,126</u>	<u>28,217</u>

### (a) Investments in associates

#### (i) Share of associates' balance sheet:

Current assets	10,473	19,751
Non-current assets	42,246	31,756
	<u>52,719</u>	<u>51,507</u>
Current liabilities	(15,455)	(16,203)
Non-current liabilities	(19,788)	(12,865)
	<u>(35,243)</u>	<u>(29,068)</u>
Net assets	<u>17,476</u>	<u>22,439</u>

#### (ii) Share of associates' income and profits (losses):

Income	55,303	45,713
Profit (loss) before income tax	(34,276)	6,818
Income tax (expense)	(1,009)	(900)
Share of associates' profit (loss)	<u>(35,285)</u>	<u>5,918</u>
Cumulative unrecognised share of associates' profit (loss) after income tax due to discontinuation of equity method	<u>(266,843)</u>	<u>(304,430)</u>

#### (iii) Contingent liabilities of associates:

Share of contingent liabilities incurred jointly with other investors – refer Note 22 for any disclosures required.

### (b) Interests in jointly controlled entities/partnerships

#### (i) Share of jointly controlled entities'/partnerships' balance sheet:

Current assets	2,815	1,652
Non-current assets	2,125	2,209
	<u>4,940</u>	<u>3,861</u>
Current liabilities	(1,977)	(1,698)
Non-current liabilities	(877)	(293)
	<u>(2,854)</u>	<u>(1,991)</u>
Net assets	<u>2,086</u>	<u>1,870</u>

#### (ii) Share of jointly controlled entities'/partnerships' income and profits (losses):

Income	21,584	19,880
Profit (loss) before income tax	(1,214)	(10,360)
Income tax (expense)	364	(526)
Profit (loss) after income tax	<u>(850)</u>	<u>(10,886)</u>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (11) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD <sup>1,2,3</sup> (continued)

### (b) Interests in jointly controlled entities/partnerships (continued)

#### (iii) Contingent liabilities of jointly controlled entities/partnerships:

Share of contingent liabilities incurred jointly with other investors – refer Note 22 for any disclosures required.

<sup>1</sup> The VRL group loan to Village Roadshow Entertainment Group Limited ("VREG") of USD 45 million, which was made in May 2009, was restructured in the year ended 30 June 2011 into preference shares (VL Class shares) in VREG on similar economic terms to the original loan. In addition, a further class of preference shares were issued at the same time in recognition of certain priority distributions VRL group are entitled to (V Class shares). The VL Class and V Class shares may be converted to ordinary shares or redeemed in certain circumstances set out in the VREG Shareholders Agreement. The VL Class and V Class shares, together with the VRL group's existing 40.44% holding of ordinary shares, represent approximately 55% of the economic interest in VREG. As a result of the Shareholders Agreement, which requires consensus for key decisions, the VL Class and V Class shares do not deliver control of VREG to the VRL group in accordance with AASB 127: *Consolidated and Separate Financial Statements*, therefore the VRL group has continued to account for VREG in accordance with AASB 128: *Investments in Associates*.

During the year ended 30 June 2011, the remaining carrying value of the VL Class preference shares of \$32.3 million (previously being a loan to VREG) was determined to be part of the net investment in VREG for accounting purposes, and as a result, further unrecognised equity-accounted losses of VREG were applied against this amount, reducing the carrying value to nil as at 30 June 2011 (refer Note 30(b)).

Prior to 30 June 2011, the VRL group executed a loan facility agreement with Village Roadshow Entertainment Group (Asia) Limited ("VREG Asia"), which is part of the VREG group. The total facility amount is USD 17.5 million, which was undrawn as at 30 June 2011, and has been drawn to \$3.4 million at the date of this report. This loan facility has been provided to fund VREG Asia's investment in its Chinese film business, and includes a put and call option which may, in certain circumstances, result in the VRL group acquiring VREG Asia and its Chinese film business.

<sup>2</sup> During the year ended 30 June 2011, as a result of various changes in accounting policies of VREG, the accumulated losses of VREG were re-stated. These re-stated losses have been used for the purposes of calculating the unrecognised share of associates' losses shown in Note 11(a)(iii) as at 30 June 2010 and 30 June 2011.

<sup>3</sup> During the year ended 30 June 2011, as detailed in Note 28(a) of the VRL group accounts for the year ended 30 June 2010, the restructured Gold Class USA operations were transferred from VRGCC Holdings LLC to IPic-Gold Class Entertainment LLC. Included in the IPic-Gold Class Entertainment LLC results for 2011 is an impairment of the investment carrying value of \$4.7 million, and included in the VRGCC Holdings LLC results for 2010 is an impairment of the investment carrying value of \$2.2 million (refer Note 30(b)).

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000

## (12) AVAILABLE-FOR-SALE INVESTMENTS

### Non-current:

Investments at fair value:

Investments in unlisted entities	300	841
Investments in listed entities	2	2
	302	843

Available-for-sale investments consist of investments in ordinary shares or units, and therefore have no fixed maturity date or coupon rate.

### (a) Listed investments

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

### (b) Unlisted investments

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the statement of financial position and the related changes in fair values recorded in other comprehensive income are reasonable and the most appropriate at the reporting date. Management also believes that changing any of assumptions to a reasonably possible alternative would not result in a significantly different value.

## (13) SUBSIDIARIES

NAME	COUNTRY OF INCORPORATION <sup>1</sup>	% OWNED 2011	% OWNED 2010
Allehondro Pty. Limited	Australia	100.00%	100.00%
Animus No. 2 Pty. Limited	Australia	100.00%	100.00%
Aqdev Pty. Limited <sup>3</sup>	Australia	-	100.00%
Aqua Del Rey International Pty. Limited	Australia	100.00%	100.00%
Asia Pacific Business Limited <sup>4</sup>	Hong Kong	-	100.00%
Auckland Aquarium Limited <sup>3</sup>	New Zealand	-	100.00%
Austereo Capital FM Pty. Limited <sup>3</sup>	Australia	-	52.52%
Austereo Entertainment Pty. Limited <sup>3</sup>	Australia	-	52.52%
Austereo ESP Finance Pty. Limited <sup>3</sup>	Australia	-	52.52%
Austereo Group Limited (Listed) <sup>3</sup>	Australia	-	52.52%
Austereo International Pty. Limited <sup>3</sup>	Australia	-	52.52%
Austereo Online Pty. Limited <sup>3</sup>	Australia	-	52.52%
Austereo Pty. Limited <sup>3</sup>	Australia	-	52.52%
Baltimore House Pty. Limited	Australia	100.00%	100.00%
Colorado Bay Pty. Limited	Australia	100.00%	100.00%
Consolidated Broadcasting System (WA) Pty. Limited <sup>3</sup>	Australia	-	52.52%
Daydream Finance Pty. Limited	Australia	100.00%	100.00%
DEG Holdings Pty. Limited	Australia	100.00%	100.00%
DIIR Pty. Limited	Australia	100.00%	100.00%

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (13) SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION <sup>1</sup>	% OWNED 2011	% OWNED 2010
Effem Wonofor Pty. Limited (previously called FM 104 Pty. Limited)	Australia	100.00%	100.00%
Emperion Pty. Limited	Australia	100.00%	100.00%
Entertainment of The Future Pty. Limited	Australia	100.00%	100.00%
Feature Productions Pty. Limited	Australia	100.00%	100.00%
Film Services (Australia) Pty. Limited	Australia	100.00%	100.00%
FM Media (ACT) Pty. Limited	Australia	100.00%	100.00%
FM Media Overseas Pty. Limited	Australia	100.00%	100.00%
FM Operations Pty. Limited	Australia	100.00%	100.00%
Fortress Films Pty. Limited	Australia	100.00%	100.00%
Fortress Films II Pty. Limited	Australia	100.00%	100.00%
GOG Productions Pty. Limited <sup>2</sup>	Australia	99.00%	99.00%
Harvest Family Entertainment Arizona LLC	United States	100.00%	100.00%
Harvest Family Entertainment – South Florida LLC	United States	100.00%	100.00%
Intacity Pty. Limited	Australia	100.00%	100.00%
Jaran Bay Pty. Limited	Australia	100.00%	100.00%
Jimbolla Pty. Limited	Australia	100.00%	100.00%
Medborne Proprietary Limited	Australia	100.00%	100.00%
Movie World Holdings Joint Venture	Australia	100.00%	100.00%
MX Promotions Pty. Limited	Australia	100.00%	100.00%
MX Services Pty. Limited	Australia	100.00%	100.00%
MyFun Pty. Limited	Australia	100.00%	100.00%
New Broadcasting Pty. Limited	Australia	100.00%	100.00%
Nu-Pay View Entertainment Pty. Limited	BVI	100.00%	100.00%
NW Productions Inc. <sup>4</sup>	United States	–	100.00%
Pacific Drive Productions Pty. Limited	Australia	100.00%	100.00%
Paradise Beach Productions Pty. Limited	Australia	100.00%	100.00%
Perth FM Radio Pty. Limited <sup>3</sup>	Australia	–	52.52%
Prospect Aquatic Investments Pty. Limited	Australia	100.00%	100.00%
Reel DVD Pty. Limited	Australia	100.00%	100.00%
Roadshow Distributors Pty. Limited	Australia	100.00%	100.00%
Roadshow Entertainment (NZ) Limited	New Zealand	100.00%	100.00%
Roadshow Films Pty. Limited	Australia	100.00%	100.00%
Roadshow Live Pty. Limited	Australia	100.00%	100.00%
Roadshow Pay Movies Pty. Limited	Australia	100.00%	100.00%
Roadshow Television Pty. Limited	Australia	100.00%	100.00%
Roadshow Unit Trust	Australia	100.00%	100.00%
Sari Lodge Pty. Limited <sup>4</sup>	Australia	–	100.00%
Sea World Aviation Partnership	Australia	100.00%	100.00%
Sea World Equipment Company Pty. Limited <sup>4</sup>	Australia	–	100.00%
Sea World Helicopters Pty. Limited (previously called Village Sea World Aviation Pty. Limited)	Australia	100.00%	100.00%
Sea World International Pty. Limited <sup>4</sup>	Australia	–	100.00%
Sea World Management Pty. Limited	Australia	100.00%	100.00%
Sea World Property Trust	Australia	100.00%	100.00%
Sea World Resort Hotel Pty. Limited <sup>4</sup>	Australia	–	100.00%
Sinclud Investments Pty. Limited	Australia	100.00%	100.00%
Sydney Attractions Group Pty. Limited <sup>3</sup>	Australia	–	100.00%
Sydney Tower Observatory Pty. Limited <sup>3</sup>	Australia	–	100.00%
Sydney Wildlife World Pty. Limited <sup>3</sup>	Australia	–	100.00%
TAJ Walker Pty. Limited	BVI	100.00%	100.00%
Tarzan Films Pty. Limited	Australia	100.00%	100.00%
The Sydney Aquarium Company Pty. Limited <sup>3</sup>	Australia	–	100.00%
Today FM Brisbane Pty. Limited <sup>3</sup>	Australia	–	52.52%
Today FM Sydney Pty. Limited <sup>3</sup>	Australia	–	52.52%
Today Radio Network Pty. Limited <sup>3</sup>	Australia	–	52.52%
Triple M Adelaide Pty. Limited <sup>3</sup>	Australia	–	52.52%
Triple M Brisbane Pty. Limited <sup>3</sup>	Australia	–	52.52%
Triple M Melbourne Pty. Limited <sup>3</sup>	Australia	–	52.52%
Triple M Network Pty. Limited <sup>3</sup>	Australia	–	52.52%
Triple M Sydney Pty. Limited <sup>3</sup>	Australia	–	52.52%
TTMBC Pty. Limited (previously called The Triple-M Broadcasting Company Pty. Limited)	Australia	100.00%	100.00%
VEESS Pty. Limited <sup>4</sup>	Australia	–	100.00%
Village Cinemas Australia Pty. Limited	Australia	100.00%	100.00%
Village Cinemas International Pty. Limited	Australia	100.00%	100.00%
Village Leisure Company Pty. Limited	Australia	100.00%	100.00%

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (13) SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION <sup>1</sup>	% OWNED 2011	% OWNED 2010
Village Online Investments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow (Fiji) Limited	Fiji	100.00%	100.00%
Village Roadshow (Hungary) Distribution KFT	Hungary	100.00%	100.00%
Village Roadshow (Thailand) Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Attractions USA Inc.	United States	100.00%	100.00%
Village Roadshow Australian Films Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Car Park Management Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Coburg Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Developments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Distribution (M) Sdn Bhd	Malaysia	100.00%	100.00%
Village Roadshow Distribution Netherlands BV <sup>4</sup>	Netherlands	-	100.00%
Village Roadshow East Coast Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Exhibition Beteiligungs GmbH <sup>4</sup>	Germany	-	100.00%
Village Roadshow Exhibition GmbH & Co. KG Partnership <sup>4</sup>	Germany	-	100.00%
Village Roadshow Exhibition Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Administration Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Finance Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Operator Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Services Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Finance & Investments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Finance Pty. Limited	Australia	100.00%	100.00%
Village Roadshow FM Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Germany GmbH <sup>4</sup>	Germany	-	100.00%
Village Roadshow Grundstücksentwicklungs GmbH <sup>4</sup>	Germany	-	100.00%
Village Roadshow Holdings Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Hungary ZRT	Hungary	100.00%	100.00%
Village Roadshow Intensity Pty. Limited	Australia	100.00%	100.00%
Village Roadshow International BV <sup>4</sup>	Netherlands	-	100.00%
Village Roadshow Investments Holdings USA Inc.	United States	100.00%	100.00%
Village Roadshow Investments UK Limited	United Kingdom	100.00%	100.00%
Village Roadshow IP Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Italy Holdings SRL	Italy	100.00%	100.00%
Village Roadshow Jam Factory Pty. Limited	Australia	100.00%	100.00%
Village Roadshow JLA Pty. Limited <sup>2</sup>	Australia	99.00%	99.00%
Village Roadshow Leisure Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Licensing & Finance Limited	United Kingdom	100.00%	100.00%
Village Roadshow Motion Pictures Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Mumble 2 Productions Pty. Limited <sup>2</sup>	Australia	99.00%	99.00%
Village Roadshow Pictures (Australia) Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures (U.S.A.) Inc.	United States	100.00%	100.00%
Village Roadshow Pictures International Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures Television Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures Worldwide Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Resorts Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Retail Stores Pty. Limited	Australia	100.00%	100.00%
Village Roadshow SPV1 Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Theatres Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Theme Parks Holdings USA Inc.	United States	100.00%	100.00%
Village Roadshow Theme Parks Partnership (previously called Warner Village Theme Parks Partnership)	Australia	100.00%	100.00%
Village Roadshow Theme Parks Pty. Limited (previously called Village Themepark Management Pty. Limited)	Australia	100.00%	100.00%
Village Roadshow Theme Parks USA Inc.	United States	100.00%	100.00%
Village Roadshow Treasury Pty. Limited	Australia	100.00%	100.00%
Village Roadshow UK Holdings Pty. Limited	Australia	100.00%	100.00%
Village Roadshow USA Holdings Pty. Limited	Australia	100.00%	100.00%
Village Sea World Investments Pty. Limited <sup>4</sup>	Australia	-	100.00%
Village Sea World Operations Pty. Limited	Australia	100.00%	100.00%
Village Theatres 3 Limited	United Kingdom	100.00%	100.00%
Village Theatres Morwell Pty. Limited	Australia	75.00%	75.00%
VRB Pty. Limited <sup>3</sup>	Australia	-	52.52%
VR Corporate Services Pty. Limited	Australia	100.00%	100.00%
VR GOG Productions Inc. <sup>2</sup>	United States	99.00%	99.00%
VR International Pictures Pty. Limited	Australia	100.00%	100.00%
VRFP Pty. Limited	Australia	100.00%	100.00%
VR JLA Productions Inc. <sup>2</sup>	United States	99.00%	99.00%

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (13) SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION <sup>1</sup>	% OWNED 2011	% OWNED 2010
VR Mumble 2 Productions Inc. <sup>2</sup>	United States	99.00%	99.00%
VRPPL Pty. Limited	Australia	100.00%	100.00%
VRPROSERV Pty. Limited	Australia	99.00%	99.00%
VRS Holdings Pty. Limited	Australia	100.00%	100.00%
VRTP Entertainment Pty. Limited (previously called WV Entertainment Pty. Limited)	Australia	100.00%	100.00%
WB Properties Australia Pty. Limited	Australia	100.00%	100.00%
Worldwide Films Pty. Limited	Australia	100.00%	100.00%
WSW Aviation Pty. Limited	Australia	100.00%	100.00%
WSWI Pty. Limited <sup>4</sup>	Australia	-	100.00%
WSW Operations Pty. Limited <sup>4</sup>	Australia	-	100.00%
WSW Units Pty. Limited	Australia	100.00%	100.00%
WW Australia Pty. Limited	Australia	100.00%	100.00%

<sup>1</sup> Foreign subsidiaries carry out their business activities in the country of incorporation. Material overseas entities are audited by Ernst & Young International affiliates.

<sup>2</sup> Represent Special Purpose Entities which are not consolidated.

<sup>3</sup> Sold to an external entity during the year.

<sup>4</sup> Placed into liquidation or dissolution during the year.

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000

## (14) PROPERTY, PLANT & EQUIPMENT

### Land:

At cost	31,044	29,224
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### Buildings & improvements:

At cost (completed)	70,135	66,986
Less depreciation and impairment	(18,868)	(13,381)
	51,267	53,605

### Capital work in progress

	6,602	17,750
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### Leasehold improvements:

At cost	197,581	273,125
Less amortisation and impairment	(64,174)	(82,715)
	133,407	190,410

### Plant, equipment & vehicles (owned):

At cost	532,052	583,528
Less depreciation and impairment	(240,515)	(237,154)
	291,537	346,374

### Plant, equipment & vehicles (leased):

At cost	22,953	29,258
Less amortisation and impairment	(4,462)	(4,045)
	18,491	25,213
	532,348	662,576

### (a) Reconciliations

#### Land:

Carrying amount at beginning	29,224	29,224
Additions	1,820	-
Carrying amount at end	31,044	29,224

#### Buildings & improvements:

Carrying amount at beginning	53,605	54,380
Additions	3,426	1,676
Impairment (Note 2(d)) <sup>1</sup>	(3,017)	-
Net foreign currency movements arising from investments in foreign operations	(26)	-
Depreciation expense	(2,721)	(2,513)
Other	-	62
Carrying amount at end	51,267	53,605

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(14) PROPERTY, PLANT &amp; EQUIPMENT</b> (continued)		
<b>(a) Reconciliations</b> (continued)		
<b>Capital work in progress:</b>		
Carrying amount at beginning	17,750	13,301
Additions	932	-
Net foreign currency movements arising from investments in foreign operations	(233)	-
Disposals/Transfers	(11,847)	4,449
Carrying amount at end	6,602	17,750
<b>Leasehold improvements:</b>		
Carrying amount at beginning	190,410	239,175
Additions	18,239	11,026
Impairment (Note 2(d)) <sup>1</sup>	(88)	(16,671)
Net foreign currency movements arising from investments in foreign operations	(1,713)	(52)
Disposals/Transfers	(62,434)	(31,123)
Amortisation expense	(11,007)	(11,945)
Carrying amount at end	133,407	190,410
<b>Plant, equipment &amp; vehicles (owned):</b>		
Carrying amount at beginning	346,374	382,831
Additions	53,380	38,123
Impairment (Note 2(d)) <sup>1</sup>	(9,894)	(3,329)
Net foreign currency movements arising from investments in foreign operations	(5,127)	(1,570)
Disposals/Transfers	(51,235)	(25,589)
Depreciation expense	(41,961)	(44,092)
Carrying amount at end	291,537	346,374
<b>Plant, equipment &amp; vehicles (leased):</b>		
Carrying amount at beginning	25,213	26,906
Additions	-	1,606
Net foreign currency movements arising from investments in foreign operations	(5,332)	(1,296)
Disposals/Transfers	158	(330)
Amortisation expense	(1,548)	(1,673)
Carrying amount at end	18,491	25,213

<sup>1</sup> **Impairment losses recognised:**

In the Theme Parks division in the year ended 30 June 2011, Village Roadshow Studios' economic performance gave rise to an impairment trigger. This resulted in a valuation of the recoverable amount of the asset being assessed against the carrying value. The recoverable amount was calculated using the fair value less cost to sell, based on the Group's 5 year plan, with cash flows beyond five years extrapolated using a terminal growth rate of 3%. The pre-tax discount rate applied to the cash flow projections was in the range of 14.1% to 15.5%. As a result an impairment loss of \$5.0 million has been recognised. In addition, a further review was carried out on the major rides/attractions that were committed for closure within the Theme Parks division to determine if there were any impairments based on the lower level review basis. Estimated carrying values and depreciation charges were reviewed, and after adjusting the depreciation charges over the remaining estimated useful lives, an impairment loss of \$8.0 million has been recognised. The impairment amounts were calculated after allowing for items that will be able to be reused or redeployed, as well as any estimated sale proceeds. The total impairment amount of \$13.0 million has been included in amounts disclosed in Note 2(d) and Note 30(b).

In the year ended 30 June 2010, the Sydney Wildlife World cash generating unit recoverable amount was estimated. The recoverable amount estimation was based on fair value less cost to sell which was calculated using the Group's 5 year plan, with cash flows beyond five years extrapolated using a terminal growth rate of 3%. The pre-tax discount rate applied to the cash flow projections was in the range of 14.0% to 14.9%. As a result an impairment loss of \$20.0 million was recognised in relation to fixed assets. As the Attractions division was sold by the Group during the 2011 financial year, the impairment loss of \$20.0 million is included in the discontinued operations results for 2010 as disclosed in Note 31.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(15) TRADE AND OTHER PAYABLES</b>		
<b>Current:</b>		
Trade and sundry payables	150,450	225,654
Owing to —		
Other	—	271
Financial Guarantees	—	433
	150,450	226,358
<b>Non-current:</b>		
Trade and sundry payables	28,313	25,938
Owing to —		
Associated entities	—	4,025
Other	2,191	1,524
Financial Guarantees	—	501
	30,504	31,988

For terms and conditions refer to Note 33(c)(ii).

## (i) Financial Guarantees

As listed in Note 32, VRL has provided financial guarantees to a number of its subsidiaries and associates, which commit the Company to make payments on behalf of these entities upon their failure to perform under the terms of the relevant contract. The significant accounting estimates and/or assumptions used in determining the fair value of these guarantees have been disclosed in Note 1(c)(xxx).

## (16) INTEREST BEARING LOANS AND BORROWINGS

<b>Current:</b>		
Secured borrowings	45,181	65,256
Unsecured borrowings	1,000	1,000
Finance lease liabilities (refer Note 23(a))	80	195
	46,261	66,451
<b>Non-current:</b>		
Secured borrowings	435,757	649,022
Unsecured borrowings	2,987	212,935
Finance lease liabilities (refer Note 23(a))	179	405
	438,923	862,362

### Terms and conditions relating to the above financial instruments:

The Company has a long-term finance facility with a facility limit of Nil as at 30 June 2011 (30 June 2010: \$195 million). The Company is currently in negotiations to reinstate this \$100 million facility. These borrowings were secured by equitable share mortgages over certain subsidiary and associate holding companies, and by guarantees from various wholly-owned subsidiaries.

Other secured borrowings are separately secured by a fixed and floating charge over the assets of the Village Roadshow Theme Parks group, the Roadshow Distributors Pty. Ltd. group, the Village Cinemas Australia Pty. Ltd. group, and Harvest Family Entertainment Arizona LLC. In addition, the assets of Village Roadshow Theme Parks USA Inc. are not legally owned by that entity, but are mainly shown as assets under lease (with the liability shown as secured borrowings). The security for these borrowings is limited to the assets and undertakings of each particular operation or groups of operations. The total carrying value of the financial assets that are secured is \$1,162.9 million (2010: \$1,623.3 million). The lease liabilities are secured by a charge over the leased assets.

Refer Note 33(c)(ii) for additional information concerning finance lease terms and conditions.

## (17) PROVISIONS

<b>Current:</b>		
Employee benefits	23,082	26,275
Make good provision	60	—
Other	5,077	1,358
	28,219	27,633
<b>Non-current:</b>		
Employee benefits	5,229	5,752
Make good provision	1,609	1,924
Leasehold liability	—	13,465
Other	5,023	244
	11,861	21,385

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(17) PROVISIONS</b> (continued)		
<b>Employee benefit liabilities</b>		
Provision for employee benefits –		
Current	23,082	26,275
Non-current	5,229	5,752
Aggregate employee benefit liability	28,311	32,027

## (a) Reconciliations

### Make good provision:

Carrying amount at the beginning of the financial year	1,924	2,511
Disposals – discontinued operations	–	(871)
Amounts added during the year	99	421
Amounts utilised during the year	(380)	–
Net foreign currency movements arising from investments in foreign operations	–	(146)
Discount adjustment	26	9
Carrying amount at the end of the financial year	1,669	1,924

### Leasehold Liability:

Carrying amount at the beginning of the financial year	13,465	13,175
Increase in provision	–	290
Disposals – discontinued operations	(13,465)	–
Carrying amount at the end of the financial year	–	13,465

### Other provisions:

Carrying amount at the beginning of the financial year	1,602	2,808
Increase in provision	8,861	334
Amounts utilised during the year	(108)	(359)
Net foreign currency movements arising from investments in foreign operations	(16)	2
Disposals – discontinued operations	(239)	(1,183)
Carrying amount at the end of the financial year	10,100	1,602

### Make good provision

In accordance with certain lease agreements, the Group must restore leased premises to the original condition on expiration of the relevant lease. Provisions are raised in respect of such 'make good' clauses to cover the Group's obligation to remove leasehold improvements from leased premises where this is likely to be required in the foreseeable future. Because of the long term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred. The provision has been calculated using a discount rate based on estimated CPI.

### Leasehold liability

The leasehold liability recognised the future economic impact on the Group resulting from future uplifts in rental expenses resulting from contracted increases in rent payments over the life of the lease agreement. As a result of the disposal of the Attractions division in the year ended 30 June 2011, this liability has been disposed of.

### Other provisions

Other provisions include amounts relating to restructuring, legal issues, onerous leases and various other matters.

## (18) OTHER LIABILITIES

### Current:

Unearned revenue	26,895	29,191
Other liabilities	61	909
	26,956	30,100

### Non-current:

Other liabilities	644	2,010
	644	2,010

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
<b>(19) CONTRIBUTED EQUITY</b>		
Issued & fully paid up capital:		
Ordinary shares	261,637	(10,799)
A Class preference shares	-	313,302
Employee share loans deducted from equity <sup>1</sup>	(11,228)	(22,187)
	250,409	280,316

<sup>1</sup> Secured advances – executive loans (refer also to Note 26).

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, 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 legacy 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. During the year ended 30 June 2011, the VRL group sold its shareholding in Austereo (refer Note 31).

During the 2011 and 2010 years, movements in fully paid shares on issue were as follows:

	CONSIDERATION		NO. OF SHARES	
	2011	2010	2011	2010
	\$'000	\$'000	Thousands	Thousands
<b>(a) Ordinary shares —</b>				
Beginning of the financial year	(10,799)	13,749	114,218	126,909
Buyback – November 2009 at \$1.85 to \$1.87 (on-market)	-	(24,548)	-	(12,691)
Buyback – October 2010 at \$2.46 to \$2.57 (on-market)	(19,430)	-	(7,268)	-
Allotment – November 2010 at \$2.35	823	-	350	-
Buyback – March 2011 at \$3.22 to \$3.64	(857)	-	(240)	-
Allotment – April 2011 at \$3.73	45	-	12	-
Allotment – June 2011 at \$4.11	78	-	19	-
Variation of preference shares into ordinary shares – November 2010	291,777	-	44,368	-
End of the financial year	261,637	(10,799)	151,459	114,218
<b>(b) A Class preference shares —</b>				
Beginning of the financial year	313,302	398,746	52,235	97,655
Buyback – November 2009 at \$1.77 to \$1.87 (on-market)	-	(84,264)	-	(45,000)
Buyback – March 2010 at \$2.37 to \$3.22	-	(1,180)	-	(420)
Buyback – October 2010 at \$2.45 to \$2.60 (on-market)	(21,095)	-	(7,732)	-
Buyback – October 2010 at \$3.14 to \$3.22	(430)	-	(135)	-
Variation of preference shares into ordinary shares – November 2010	(291,777)	-	(44,368)	-
End of the financial year	-	313,302	-	52,235

## Share buybacks:

During the year ended 30 June 2011, VRL bought back on-market and cancelled approximately 7.3 million ordinary shares and 7.7 million preference shares, for a total cash outflow, including related costs, of \$41.4 million. Following this buyback, as approved by shareholders at an Extraordinary General Meeting, all of the preference shares were varied to become ordinary shares.

During the year ended 30 June 2010, VRL bought back on-market and cancelled approximately 12.7 million ordinary shares and 45.0 million A class preference shares.

## Issued Options:

In accordance with a special resolution of the Company's shareholders on 17 July 2008, six million options over ordinary shares were allotted to Mr. Graham W. Burke, the Chief Executive Officer. Two million options were exercisable at an exercise price of \$3.00 not earlier than 1 March 2011; two million options were exercisable at an exercise price of \$3.00 not earlier than 1 March 2012; and two million options were exercisable at an exercise price of \$3.00 not earlier than 1 March 2013. During the year ended 30 June 2011, 742,904 first tranche options vested and 257,096 first tranche options lapsed, with 1,000,000 first tranche options subject to retesting in 2012.

Following approval by shareholders in general meeting, the exercise price of the options over ordinary shares was reduced from \$3.00 to \$2.00 per option, effective from 19 July 2011, to reflect the distribution of \$1.00 per share paid on that date. The clarification of option terms was also approved by shareholders in general meeting.

All the options are subject to performance hurdles as outlined in Note 26 and are exercisable no later than 1 March 2015 or 12 months 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (19) CONTRIBUTED EQUITY (continued)

### Issued Options: (continued)

As at 30 June 2011, the details of outstanding options over ordinary shares were as follows:

Number of options	Expiry date	Exercise price per option
1,742,904	1 March 2015	\$3.00
2,000,000	1 March 2015	\$3.00
2,000,000	1 March 2015	\$3.00

The Company has also issued various "in substance options" – refer Note 26.

### Terms and conditions of contributed equity

#### Preference shares

All preference shares were converted to ordinary shares during the 2011 financial year. Preference shares had the right to receive dividends declared to a minimum of 10.175 cents per share or 3 cents above the ordinary dividend in each financial year, whichever was higher. Preference share dividends had priority over ordinary dividends. In the event of winding up the Company, preference shares ranked in priority to all other classes of shares and in addition, holders of such shares had the right to participate in the distribution of any surplus assets of the Company equally with each fully paid ordinary share in the capital of the Company.

#### Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, prior to the variation of preference shares into ordinary shares, holders of such shares had the right to participate in the distribution of any surplus assets of the Company equally with each fully paid preference share in the capital of the Company.

Ordinary shares entitle their holder to the following voting rights:

- 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

#### Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the market is constantly changing and the Group reviews new opportunities, management may change the amount of dividends to be paid to shareholders, issue new shares or sell assets to reduce debt, as methods of being able to meet its capital objectives.

Management undertake continual reviews of the Group's capital and use gearing ratios as a tool to undertake this (net debt/total capital). The indicative levels of the Group's gearing ratio is between 50% to 70%. The gearing ratios at 30 June 2011 and 2010 were as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Total borrowings	485,184	928,813
Less cash and cash equivalents	(431,670)	(101,720)
Net debt	53,514	827,093
Total equity	666,717	686,261
Total capital	720,231	1,513,354
Gearing ratio	7%	55%

Other than as required as usual under various financing agreements, the Group is not subject to any externally imposed capital requirements.

Note that the gearing ratio is significantly below the Group's indicative levels as at 30 June 2011, due to the sale of the Radio and Attractions divisions in the year ended 30 June 2011 [refer Note 31].

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>(20) RESERVES AND RETAINED EARNINGS</b>		
<b>Foreign currency translation reserve:</b>		
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and on equity accounting of associates.		
Balance at beginning of year	617	7,277
Transfer to retained profits	-	(1,132)
Amount relating to translation of accounts & net investments	(15,686)	(5,528)
Balance at end of year	(15,069)	617
<b>Cash flow hedge reserve:</b>		
This reserve records the portion of the gain or loss on hedging instruments that are classified as cash flow hedges, and which are determined to be effective hedges.		
Balance at beginning of year	(355)	(3,065)
Net movement on effective hedging instruments during the year (net of tax)	(1,409)	2,712
Other movements	-	(2)
Balance at end of year	(1,764)	(355)
<b>Asset revaluation reserve:</b>		
The asset revaluation reserve is used to record uplifts on assets owned following business combinations.		
Balance at beginning of year	91,474	91,474
Balance at end of year	91,474	91,474
<b>Employee equity benefits reserve:</b>		
This reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration (refer Note 26).		
Balance at beginning of year	6,939	5,906
Share based payment movements	700	1,033
Balance at end of year	7,639	6,939
<b>General reserve:</b>		
The general reserve is used for amounts that do not relate to other specified reserves.		
Balance at beginning of year	344	754
Disposal – discontinued operations	-	(410)
Balance at end of year	344	344
<b>Capital profits reserve:</b>		
The capital profits reserve is used to accumulate realised capital profits arising from investments accounted for using the equity method.		
Balance at beginning of year	8	8
Other movements	(8)	-
Balance at end of year	-	8
<b>Controlled entity share sale &amp; buy-back reserve:</b>		
The controlled entity share sale & buy-back reserve is used to take up dilution gains and losses on shares in subsidiaries sold to non-controlling interests, as well as the differences in shares bought back by subsidiaries in excess of the calculated non-controlling interest share of those buybacks.		
Balance at beginning of year	220,628	221,080
Transfer to retained earnings <sup>1</sup>	(220,628)	-
Other movements	-	(452)
Balance at end of year	-	220,628
Total reserves	82,624	319,655
<b>Retained earnings (accumulated losses):</b>		
Balance at the beginning of year	(42,174)	(123,189)
Net profit attributable to members of VRL	185,516	94,835
Net transfers from reserves <sup>1</sup>	220,628	1,132
Total available for appropriation	363,970	(27,222)
Dividends provided or paid	(30,286)	(14,952)
Balance at end of year	333,684	(42,174)

<sup>1</sup> During the year ended 30 June 2011, as a result of the disposal of the VRL group's investment in Austereo, the total balance of the controlled entity share sale & buyback reserve of \$220.6 million was transferred to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>(21) NON-CONTROLLING INTEREST</b>		
Non-controlling interest in subsidiaries:		
Contributed equity	-	68,391
Reserves	-	(442)
Retained earnings	-	60,515
	-	128,464

The non-controlling interest was disposed of during the year ended 30 June 2011 as a result of the disposal of the VRL group's investment in Austereo.

## (22) CONTINGENCIES

### (a) Contingent liabilities<sup>1</sup>

Best estimate of amounts relating to:

(i) Termination benefits under personal services agreements for Nil Group executives and consultants (2010: 88 Group executives and consultants) <sup>2</sup>	-	33,206
(ii) Bank guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	2,573	2,078
(b) Guarantees for associated entities	-	687
(iii) Joint and several obligations for operating lease commitments of joint venture partners <sup>3</sup>	67,491	67,485
	70,064	103,456

<sup>1</sup> Refer Note 15 for disclosure of amounts relating to Financial Guarantee Contracts.

<sup>2</sup> As a result of the disposal of the VRL group's investment in Austereo, as well as the Corporate restructuring of the VRL group, which both occurred in the year ended 30 June 2011, the remaining contingent liabilities relating to termination benefits under personal service agreements have been assessed as remote. The relevant disclosures relating to employment contracts for Key Management Personnel are included in the Remuneration Report.

<sup>3</sup> Refer Note 22(b)(i) for corresponding amount reflecting the related contingent assets.

### (iv) Claims – General:

A number of claims have been lodged against the Group in relation to various matters, totalling approximately \$0.5 million (2010: \$0.5 million). Liability is not admitted and the claims are being defended. The Directors believe that the potential losses, if any, arising from these claims are not able to be reliably measured at reporting date, and are not likely to be material.

### (v) Other contingent liabilities – Film Production and Music:

VRL continues to provide guarantees in relation to monies owing by Village Roadshow Entertainment Group Limited ("VREG") to Warner Bros. Entertainment Inc. ("WB") and its affiliates. These guarantees include obligations for prints and advertising amounts owing by VREG to WB, which are not capped, and other amounts owing by VREG to WB, which are capped at USD 50 million.

The total amount owing by VREG to WB as at 30 June 2011 which was covered by these guarantees was USD 0.1m (2010: USD 15.8 million) relating to prints and advertising amounts, however as these amounts are recouped by WB directly out of film exploitation proceeds collected by WB, no liability is expected to arise for VRL under the guarantees.

In the event that payments are made under the guarantees, VRL has recourse against VREG and shareholders of VREG (for their proportion of any such payment). VRL does not believe that any future payments will be required under these guarantees

### (vi) Other contingent liabilities – Income Tax:

The VRL group anticipates that tax audits may occur from time to time in Australia, and the VRL group is subject to routine tax audits in certain overseas jurisdictions.

Following an initial review by the Australian Taxation Office ("ATO") which commenced in the year ended 30 June 2011, the ATO advised in July 2011 that they intended to conduct a tax audit of the VRL group in relation to certain non-interest bearing loans owing to Australian members of the VRL Tax Consolidated group predominantly by largely dormant overseas subsidiaries. VRL does not currently believe that any material impact will result from the proposed tax audit.

### (vii) Belfast Rent Dispute:

As disclosed in Note 22(a)(vii) in the 30 June 2010 financial report, litigation was in progress between Village Theatres 3 Limited ("VT3"), a wholly-owned subsidiary in the VRL group, VT3's landlord and its sub-tenant. In April 2011, the matter between VT3 and the sub-tenant was settled, and VT3 recovered all remaining amounts owing by the sub-tenant as part of that settlement. VT3 is continuing to take action against the landlord seeking damages. The landlord is also seeking payment of unpaid rent, which has been fully accrued in VT3's accounts as at 30 June 2011.

### (b) Contingent assets

In the event that any entity in the Group 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 Group 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	
	2011 \$'000	2010 \$'000
(i) Right of recourse in relation to joint and several obligations for operating lease commitments of joint venture partners <sup>1</sup>	67,491	67,485

<sup>1</sup> refer Note 22(a)(iii) for corresponding amount reflecting the related contingent liabilities.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (23) COMMITMENTS

### (a) Finance leases

The Group has finance leases and hire purchase contracts for various items of plant and equipment. These leases have no renewal options included in the contracts.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2011		2010	
	Minimum lease payments \$'000	Present value of lease payments \$'000	Minimum lease payments \$'000	Present value of lease payments \$'000
<i>CONSOLIDATED</i>				
Payable within 1 year	80	80	210	195
Payable between 1 and 5 years	188	179	450	405
	268	259	660	600
Less future finance charges	(9)	-	(60)	-
Total finance lease liabilities	259	259	600	600

### (b) Operating leases

The Group has entered into commercial leases for cinema and office sites. The lease commitments schedule below includes cinema leases with terms of up to 17 years, however it does not include terms of renewal. In general, cinema leases do not include purchase options although on rare occasions there may be a purchase option. Renewals are at the option of the specific entity that holds that lease. In addition, the leases include the Crown leases entered into by Sea World Property Trust which have a remaining term of 46 years.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>(i) Operating leases – Minimum lease payments:</b>		
Payable within 1 year	38,236	51,185
Payable between 1 and 5 years	122,919	165,624
Payable after 5 years	232,886	261,960
	394,041	478,769
<b>(ii) Operating leases – Percentage based lease payments:<sup>1</sup></b>		
Payable within 1 year	5,994	6,181
Payable between 1 and 5 years	21,843	23,673
Payable after 5 years	40,181	69,396
	68,018	99,250
Total operating lease commitments	462,059	578,019

<sup>1</sup> Accounting standard AASB 117: *Leases* applies to the estimated contingent rental commitments of the Group. This standard requires the reporting of operating lease rental expense on a straight-line basis over the life of the lease, inclusive of contingent rentals. The Group is required to pay percentage rent on certain operating leases. 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. It is not possible for the group to reliably determine the amount of percentage rent that will be payable under each of the operating leases, as such, percentage rent is expensed as incurred, rather than being included in the operating rent expense recognised on a straight-line basis over the life of the lease.

### (c) Other expenditure commitments

Estimated capital and other expenditure contracted for at reporting date but not provided for:

Payable within one year:	19,477	13,210
Payable between 1 and 5 years:	5,467	2,863
Payable later than 5 years:	5,880	6,468
Total other expenditure commitments	30,824	22,541

In addition to the amounts disclosed as other expenditure commitments in note 23(c), the VRL group has provided a guarantee to the entity that has the obligations for the conversion of projection equipment at various cinema locations, to ensure that the VRL group fulfils its obligations to that entity. Other cinema operators have provided the same guarantees in respect of their own cinema locations. As at 30 June 2011, the estimated amount of capital expenditure required to complete the VRL group's digital projection conversion that has not already been included in the amounts disclosed in Note 23(c) is \$10.1 million.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (24) SUPERANNUATION COMMITMENTS

There are established superannuation and retirement plans for the benefit of employees of the Company and its subsidiaries 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.

## (25) KEY MANAGEMENT PERSONNEL DISCLOSURES

Detailed remuneration disclosures of the Key Management Personnel ("KMP") of the Company and Group are set out in the Remuneration Report section of the Directors' Report.

### (a) Compensation of Key Management Personnel by Category

The compensation, by category, of the Key Management Personnel are as set out below:

	CONSOLIDATED		VILLAGE ROADSHOW LIMITED	
	2011 \$	2010 \$	2011 \$	2010 \$
Short-Term	20,976,560	17,064,809	20,976,560	17,064,809
Post-Employment	1,887,228	417,661	1,887,228	417,661
Other Long-Term	278,862	284,928	278,862	284,928
Termination Benefits	544,539	-	544,539	-
<b>Sub-totals</b>	<b>23,687,189</b>	<b>17,767,398</b>	<b>23,687,189</b>	<b>17,767,398</b>
Share-based Payment	490,150	584,989	490,150	584,989
<b>Totals</b>	<b>24,177,339</b>	<b>18,352,387</b>	<b>24,177,339</b>	<b>18,352,387</b>

### (b) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Village Roadshow Limited (number)

2011 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 <sup>1</sup>	Preference	Ordinary	Preference	Ordinary <sup>2</sup>	Preference <sup>2</sup>	Ordinary	Preference
<b>Directors</b>										
Robert G. Kirby <sup>3</sup>	77,859,352	-	-	-	-	-	-	-	77,859,352	-
John R. Kirby <sup>3</sup>	77,859,352	-	-	-	-	-	-	-	77,859,352	-
Graham W. Burke <sup>3</sup>	77,859,352	-	-	-	-	-	-	-	77,859,352	-
Peter D. Jonson	20,000	37,000	3,778	-	-	-	37,000	(37,000)	60,778	-
D. Barry Reardon	10,000	8,552	-	-	-	-	8,552	(8,552)	18,552	-
Peter M. Harvie	-	-	-	-	-	-	-	-	-	-
David J. Evans	80,000	-	12,038	-	-	-	-	-	92,038	-
Robert Le Tet	-	-	11,683	-	-	-	-	-	11,683	-
Tim Antonie <sup>4</sup>	-	-	2,957	-	-	-	-	-	2,957	-
<b>Executives</b>										
Philip S. Leggo <sup>5</sup>	-	-	-	-	-	-	-	-	-	-
Julie E. Raffé	-	-	-	-	-	-	-	-	-	-
Clark J. Kirby <sup>6</sup>	-	-	-	-	-	-	2,500	-	2,500	-
Simon T. Phillipson	-	-	-	-	-	-	200,000	-	200,000	-
Timothy Carroll <sup>7</sup>	-	-	-	-	-	-	-	-	-	-
David Kindlen	11,025	12,000	-	-	-	-	12,000	(12,000)	23,025	-
<b>2010</b>										
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
<b>Directors</b>										
Robert G. Kirby <sup>3</sup>	77,859,352	-	-	-	-	-	-	-	77,859,352	-
John R. Kirby <sup>3</sup>	77,859,352	-	-	-	-	-	-	-	77,859,352	-
Graham W. Burke <sup>3</sup>	77,859,352	-	-	-	-	-	-	-	77,859,352	-
Peter D. Jonson	20,000	37,000	-	-	-	-	-	-	20,000	37,000
D. Barry Reardon	10,000	8,552	-	-	-	-	-	-	10,000	8,552
Peter M. Harvie	-	-	-	-	-	-	-	-	-	-
David J. Evans	80,000	-	-	-	-	-	-	-	80,000	-
Robert Le Tet	-	-	-	-	-	-	-	-	-	-
<b>Executives</b>										
Philip S. Leggo	-	-	-	-	-	-	-	-	-	-
Julie E. Raffé	-	-	-	-	-	-	-	-	-	-
Simon T. Phillipson	-	-	-	-	-	-	-	-	-	-
Timothy Carroll	-	-	-	-	-	-	-	-	-	-
Peter J. Davey <sup>8</sup>	-	-	-	-	-	-	-	-	-	-
David Kindlen	11,025	12,000	-	-	-	-	-	-	11,025	12,000

<sup>1</sup> Allotments under Director Share Plan from Directors Fees.

<sup>2</sup> Includes movements from preference shares converted to ordinary shares on 16 November 2010.

<sup>3</sup> Refer also to the Directors' Report disclosures for relevant interests of Directors, in relation to the 100% ownership of the immediate and ultimate parent entities of VRL.

<sup>4</sup> Appointed as Director on 1 December 2010.

<sup>5</sup> On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.

<sup>6</sup> Appointed to the Executive Committee on 1 December 2010.

<sup>7</sup> On 29 April 2011 Mr. Carroll retired from the Executive Committee and ceased as KMP from that date.

<sup>8</sup> On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (25) KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### (b) Shareholdings of Key Management Personnel (Consolidated) (continued)

Shares held in Austereo Group Limited (number)

2011

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER <sup>1</sup>	BALANCE AT THE END OF THE YEAR
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
<b>Directors</b>					
Robert G. Kirby	181,093,856	-	-	(181,093,856)	-
John R. Kirby	181,093,856	-	-	(181,093,856)	-
Graham W. Burke	181,093,856	-	-	(181,093,856)	-
Peter D. Jonson	-	-	-	-	-
D. Barry Reardon	-	-	-	-	-
Peter M. Harvie	5,001	-	-	(5,001)	-
David J. Evans	-	-	-	-	-
Robert Le Tet	-	-	-	-	-
Tim Antonie <sup>2</sup>	-	-	-	-	-
<b>Executives</b>					
Philip S. Leggo <sup>3</sup>	-	-	-	-	-
Julie E. Raffe	-	-	-	-	-
Clark J. Kirby <sup>4</sup>	-	-	-	-	-
Simon T. Phillipson	-	-	-	-	-
Timothy Carroll <sup>5</sup>	-	-	-	-	-
David Kindlen	21,621	-	-	(21,621)	-

2010

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
<b>Directors</b>					
Robert G. Kirby	181,093,856	-	-	-	181,093,856
John R. Kirby	181,093,856	-	-	-	181,093,856
Graham W. Burke	181,093,856	-	-	-	181,093,856
Peter D. Jonson	-	-	-	-	-
D. Barry Reardon	-	-	-	-	-
Peter M. Harvie	5,001	-	-	-	5,001
David J. Evans	-	-	-	-	-
Robert Le Tet	-	-	-	-	-
<b>Executives</b>					
Philip S. Leggo	-	-	-	-	-
Julie E. Raffe	-	-	-	-	-
Simon T. Phillipson	-	-	-	-	-
Timothy Carroll	-	-	-	-	-
Peter J. Davey <sup>6</sup>	-	-	-	-	-
David Kindlen	21,621	-	-	-	21,621

<sup>1</sup> Sold into takeover of Austereo Group Limited in March 2011.

<sup>2</sup> Appointed as Director on 1 December 2010.

<sup>3</sup> On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.

<sup>4</sup> Appointed to the Executive Committee on 1 December 2010.

<sup>5</sup> On 29 April 2011 Mr. Carroll retired from the Executive Committee and ceased as KMP from that date.

<sup>6</sup> On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.

All shares held under the Company's and Austereo Group Limited's various Share Plans and Option Plan for the above Key Management Personnel have been treated as 'in substance options' and have been excluded from the above tables. Details of such 'in substance options' are set out in Note 26.

All equity transactions with Key Management Personnel, other than those relating to 'in substance options', have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

### (c) Loans to Key Management Personnel (Consolidated)

#### (i) Details of aggregates of loans to Key Management Personnel are as follows:

	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED	WRITE-OFF	BALANCE AT THE END OF THE YEAR <sup>1</sup>	NUMBER IN GROUP AT THE END OF THE YEAR
	\$	\$	\$	\$	\$	No.
<b>Year ended 30 June 2011</b>						
Directors	2,010,932	55,751	-	-	-	-
Executives	-	-	-	-	-	-
<b>Total KMP</b>	<b>2,010,932</b>	<b>55,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Year ended 30 June 2010</b>						
Directors	2,009,616	120,989	-	-	2,010,932	1
Executives	-	-	-	-	-	-
<b>Total KMP</b>	<b>2,009,616</b>	<b>120,989</b>	<b>-</b>	<b>-</b>	<b>2,010,932</b>	<b>1</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (25) KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### (c) Loans to Key Management Personnel (Consolidated) (continued)

(ii) Details of Key Management Personnel with loans above \$100,000 in the reporting period are as follows:

30 JUNE 2011	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED	WRITE-OFF	BALANCE AT THE END OF THE YEAR <sup>1</sup>	HIGHEST OWING IN PERIOD
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Robert G. Kirby	2,010,932	55,751	-	-	-	2,011,296

30 JUNE 2010	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED	WRITE-OFF	BALANCE AT THE END OF THE YEAR <sup>1</sup>	HIGHEST OWING IN PERIOD
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Robert G. Kirby	2,009,616	120,989	-	-	2,010,932	2,011,296

<sup>1</sup> Note that, as only selected movements are required to be disclosed, the figures in these tables may not add across.

#### Terms and conditions of loans

The consolidated entity concluded an agreement with Mr. R.G. Kirby in December 2005 to provide him with a \$2 million fully secured revolving loan facility for a five year term expiring at the end of November 2010, repayable earlier in the event that Mr. Kirby's employment with the entity ceases. The interest rate applicable to the loan was the higher of the Fringe Benefits Tax rate set by the Australian Taxation Office and the consolidated entity's cost of borrowing plus a margin of 0.50%. The loan was repaid in full with accrued interest on 29 March 2007, and was redrawn on identical terms and conditions on 26 February 2009 and was again repaid in full on 30 November 2010. No compensation value has been attributed to this loan as it was on arms length terms and conditions.

All loans to purchase shares under the Company's and Austereo Group Limited's Executive Share Plans, and the Company's legacy equity-linked performance plan for Key Management Personnel have been described as 'in substance options' and have been excluded from the above tables. Details of such 'in substance option' loans are set out in Note 26.

No write-downs or allowances for doubtful receivables have been recognised in relation to the principal amounts of any loans made to Key Management Personnel.

#### (d) Other transactions and balances with Key Management Personnel

Peninsula Cinemas Pty. Ltd. (non-competing cinemas owned by an entity associated with Mr. R.G. Kirby) and Sunshine Cinemas Pty. Ltd. (a non-competing cinema complex which was owned by interests associated with Mr. J.R. Kirby up until 16 June 2010) exhibit films supplied by the Roadshow Distributors Pty. Ltd. group ("RD group") on arms length terms and conditions. The total amounts paid to the RD group in the current period by Sunshine Cinemas Pty. Ltd. was nil (\$293,369 up until 16 June 2010), and by Peninsula Cinemas Pty. Ltd. was \$296,500 (2010: \$327,101). The entities in the RD group are wholly-owned subsidiaries of the VRL group.

The consolidated entity purchased wine from Yabby Lake International Pty. Ltd., an entity in which family members of Mr. R.G. Kirby have an economic interest. The total purchases were \$285,160 for the year ended 30 June 2011 (2010: \$331,699). The wine purchased was mainly for the Cinema Exhibition division's Gold Class and Europa cinemas and for Corporate functions. These transactions were carried out under arm's length terms and conditions.

The consolidated entity purchased swimwear from Garyson Nominees Pty. Ltd., an entity associated with Mr. G.W. Burke. The total purchases were \$60,250 for the year ended 30 June 2011 (2010: \$49,135). The swimwear was purchased on an arm's length basis as merchandise for resale by the Theme Parks division.

The consolidated entity recharged occupancy costs and other net recharges for services provided and received, on an arms-length basis, to a number of entities associated (either individually or collectively) with Messrs. R.G. Kirby, J.R. Kirby and G.W. Burke. The total net amount charged for the various occupancy and other services in the year ended 30 June 2011 was \$48,677 (2010: \$75,583).

During the prior period, the consolidated entity sold a number of art works to Wathroad Pty. Ltd, a company in which family members of Mr. R.G. Kirby have an economic interest. The total sales were \$16,722 for the year ended 30 June 2010. The art works were sold on an arm's length basis, with the sale consideration being calculated based on recent external sales of art work by VRL, and having regard to previous external valuations received.

The consolidated entity reimbursed Carolyn Chase Pty. Ltd., an entity associated with Mr. J.R. Kirby, for accommodation and transport costs, on arms length terms and conditions. The total amount reimbursed for the year ended 30 June 2011 was \$45,446 (2010: \$46,103).

As at 30 June 2011, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was \$9,533 (2010: \$35,292), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was \$7,159 (2010: \$6,071).

On 1 July 2011, as a consequence of the restructuring of the remuneration arrangements for the executive directors, the motor vehicles that were previously owned by the Company were sold to Messrs. R.G. Kirby, J.R. Kirby & G.W. Burke. The sale consideration for each motor vehicle was based on written or verbal valuations obtained by the Company, and resulted in a loss on disposal of \$178,392, which has been accrued in the 30 June 2011 accounts.

## (26) SHARE BASED PAYMENT PLANS

### (a) Long Term Incentive Executive Share and Loan Plans ("LTI plans")

The Company has used the fair value measurement provisions of AASB 2: *Share-based Payment* for all options or equity instruments granted to Directors and relevant senior executives after 7 November 2002 which have not vested as at 1 January 2005. Under AASB 2: *Share-based Payment* these LTI executive share plan shares and loans are all treated as 'in substance options' even where the equity instrument itself is not a share option.

The fair value of such 'in substance option' grants is amortised and disclosed as part of Director and senior manager compensation on a straight-line basis over the vesting period.

During the period the consolidated entity had three different LTI plans in which Group employees, including Key Management Personnel ("KMP"), participated to varying extents. These included:

1. The entity's Executive Share Plan and Loan Facility ("ESP") introduced in 1996;
2. The consolidated entity's Austereo Group Limited 2001 Executive Share Plan and Loan Facility ("AESP") which has been closed since January 2002 and was wound up during the year; and
3. The entity's 2008 Option Plan over ordinary shares to the entity's CEO ("2008 OP").

At 30 June 2011 only the ESP and 2008 OP remain in operation.

In addition the entity has a loan arrangement over a 1993 legacy equity-linked performance plan in which Mr. P.M. Harvie is the sole remaining participant where dividends are used to repay the capital amount of the loan. All grants to Mr. Harvie under this legacy plan were in his capacity as an executive of the consolidated entity and were prior to him becoming a KMP of the consolidated entity.

All LTI plans have been approved by shareholders at the time of their introduction. Grants were made from time to time as appropriate, and all proposed grants to Directors of the Company were put to shareholders for approval. The quantum of the LTI grants are reflective of the seniority of the position of the relevant executive and their ability to contribute to the overall performance of the consolidated entity.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (26) SHARE BASED PAYMENT PLANS (continued)

### (a) Long Term Incentive Executive Share and Loan Plans ("LTI plans") (continued)

The ESP plans for less senior KMP with less influence over the performance of the consolidated entity have no specific performance conditions for the vesting of the relevant shares other than successful annual performance criteria. Any value accruing to KMP from the LTI plans is derived from improvement in the Company's share price. The LTI's also encourage a sense of ownership with those employees and executives to whom the LTI's are granted and to assist in aligning their long term interests with those of shareholders, and may be regarded as a partial retention mechanism by the Company.

The Company considers that the five year period over which the ESP and 2008 OP shares (or four year period for the AESP as applicable) are 'earned' and the long term horizon of the loans from the consolidated entity for the ESP and AESP for the duration of the employees' employment are appropriate given the shorter term annual performance hurdles to which each employee is subject. Similarly, the three, four and five year vesting periods of the ordinary options granted to the entity's CEO in 2008 under the 2008 OP, together with the significantly higher exercise price for the options above the then market price for the Company's ordinary shares and the performance conditions attaching to each tranche of options, are designed to encourage performance and to closely align the employees' interests with those of shareholders.

There are no provisions within any of the LTI plans for the automatic or full vesting of the relevant shares in the event of a change of control of the Company.

The ESP has, and AESP had, limited recourse loans secured over the relevant shares, together with a buy-back option in the event the market value of the shares is less than the loan amount. Accordingly no hedging by employees was required, whether of vested or unvested ESP shares. The Company has full control over all loans and the repayment thereof and full control over all shares including through holding locks. From 1 July 2011 the Company has implemented a policy that specifically prohibits the hedging of incentive remuneration granted to KMP that is subject to a holding lock, whether vested or unvested. For the CEO's 2008 ordinary options, the terms of the offer specifically prohibit the hedging of unvested options by Mr. Burke.

From 1 January 2005, 'in substance options' granted as part of employee and executive compensation have been valued using the Black-Scholes or binomial option-pricing model or the Monte Carlo simulation technique, 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 'in substance option'.

### (b) Share based Long Term Incentive grants

#### (i) Executive Share Plan and Loan Facility ("ESP")

The Company's ESP was approved by shareholders on 19 November 1996 and allows for the issue of up to 5% of the Company's issued A Class Preference shares to executives and employees of the consolidated entity and significant associated entities. Directors of the Company are not eligible to participate in the ESP. The conversion of the Company's preference shares on 16 November 2010 into ordinary shares also applies to ESP preference shares and the ESP is now applicable to ordinary shares.

Offers are at the discretion of the Directors and shares are issued at the 5-day weighted average price on the market prior to allotment, rounded up to the next whole cent. The shares are held directly by the KMP who pays for the allotment by obtaining a loan from the consolidated entity which holds the ESP shares as security.

The shares are 'earned' at the rate of 20% per year over five years from date of issue. The loan bears interest at ten cents per share per annum and ten cents of dividends per share each year is used to repay the interest accrued and 50% of the remaining dividend per share is used to repay the capital amount of the loan.

If the KMP resigns or is dismissed, the restricted and 'unearned' shares are forfeited and the loan on the remaining unrestricted shares must be repaid within six months or such other time as approved by Directors. In circumstances where the market value of the remaining ESP shares at the end of the six month period is less than the amount owing on the loan, then the Company will buy-back the shares and cancel them in repayment of the loan without further recourse to the KMP. This is the basis on which they have been described as 'in substance options'.

Under AASB 2: *Share based Payment* any allotments under the ESP are required to be accounted for and valued as equity settled options, and have been referred to as 'in substance options' even though the equity instrument itself is not an option.

On 31 January 2007, 3,590,000 preference shares were allotted under the ESP. The fair value of each 'in substance option' was estimated on the date of grant using the binomial option-pricing model with the following assumptions:

- Value per loan per share: \$3.14;
- Expected volatility: 25% - based on historical volatility;
- Risk-free interest rate: 5.971% - the risk free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The resulting fair values per option for those 'in substance options' was \$0.919.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$228,685 for the 2011 financial year (2010: \$425,884).

On 25 June 2007, 300,000 preference shares were allotted under the ESP. The fair value of each 'in substance option' was estimated on the date of the grant using the binomial option pricing model with the following assumptions:

- Value per loan per share: \$3.20;
- Expected volatility: 25% - based on historical volatility;
- Risk-free interest rate: 6.27% - the risk free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The resulting fair values per option for those 'in substance options' was \$0.96.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$25,682 for the 2011 financial year (2010: \$44,804).

On 29 November 2010, 350,000 ordinary shares were allotted under the ESP. The fair value of each 'in substance option' was estimated on the date of grant using the binomial option-pricing model with the following assumptions:

- Value per loan per share: \$2.35;
- Expected volatility: 35% based on historical volatility;
- Risk-free interest rate: 5.36% - the risk-free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The expected volatility of all ESP allotments reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The resulting fair value per option for those 'in substance options' was \$0.62.

The grant has been amortised over the vesting periods resulting in an increase in employee benefits expense of \$57,829 for the 2011 financial year (2010: \$nil).

#### (ii) Austereo Group Limited's Executive Share Plan and Loan Facility ("AESP")

The AESP, and the specific grant of shares to Mr. P.M. Harvie, was approved by shareholders of Austereo on 19 January 2001 and allowed for the issue of up to 5% of Austereo's issued ordinary shares to executives and employees of the Austereo consolidated entity. Executive Directors of Austereo are eligible to participate in the AESP. The AESP has been closed to new allotments since January 2002 but existing shares and loans held by continuing participants remained until the AESP was closed following the take-over of Austereo during the year.

Offers were at the discretion of the Austereo Directors and ordinary shares were issued at the five-day weighted average price on the market prior to allotment, rounded up to the next whole cent. The shares were held directly by the Austereo executive who paid for the allotment by obtaining a loan from the Austereo consolidated entity which held the AESP shares as security.

The shares were 'earned' at the rate of 25% per year over four years from date of grant. The loan bore interest at six cents per share per annum and the first six cents of every dividend per share is used to repay the interest accrued and 50% of the remaining dividend per share is used to repay the capital amount of the loan.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (26) SHARE BASED PAYMENT PLANS (continued)

### (b) Share based Long Term Incentive grants (continued)

#### (ii) Austereo Group Limited's Executive Share Plan and Loan Facility ("AESP") (continued)

If the employee resigns or is dismissed, the restricted and 'unearned' shares are forfeited and the loan on the remaining unrestricted shares must be repaid within six months or such other time as approved by Austereo's Directors. In circumstances where the market value of the remaining AESP shares at the end of the six month period are less than the amount owing on the loan, then Austereo would buy-back the shares and cancel them in repayment of the loan without further recourse.

Under AASB 2: *Share-based Payment* any allotments under the AESP are also referred to as 'in substance options' even though the equity instrument itself is not an option.

No allotments under the AESP have been made during the year, and all grants pre-date the introduction of AASB 2: *Share-based Payment*.

During the year ended 30 June 2011 the AESP was closed with all amounts owing under the AESP having been repaid in full from the proceeds of the sale of all AESP shares, as a result of the takeover of Austereo.

#### (iii) 2008 Option Plan over ordinary shares to the entity's CEO ("2008 OP")

The 2008 OP for the Company's CEO, Mr. Graham Burke, was approved by the Company's shareholders on 17 July 2008 with a grant on 18 July 2008 of six million options over ordinary shares exercisable at \$3.00 per share, with vesting subject to performance hurdles relating to growth in earnings per share and growth in dividends. Following the \$1.00 per share capital return, which was approved by shareholders in general meeting, the options exercise price has been reduced to \$2.00 per share, effective from 19 July 2011.

Subject to certain performance conditions, two million options are exercisable not earlier than 1 March 2011; two million options are exercisable not earlier than 1 March 2012; and two million options are exercisable not earlier than 1 March 2013.

The earnings per share ("EPS") performance hurdle has a starting point of 27 cents per ordinary share on 31 December 2007 and the dividend per share ("DPS") performance hurdle has a starting point of 9 cents per ordinary share on 31 December 2007, with growth measured on calendar year performance.

For all options to vest, the Company's performance must meet a minimum 10% cumulative average growth rate ("CAGR") in EPS over the 3 year vesting period for half of each tranche to vest, and must meet a minimum 10% CAGR in dividends paid over 2 out of the 4 year vesting period for the other half of each tranche to vest. For half of the options to vest, the Company's performance must meet a minimum 5% CAGR in EPS over the 3 year vesting period for one quarter of each tranche to vest, and must meet a minimum 5% CAGR in dividends paid over 2 out of the 4 year vesting period for another quarter of each tranche to vest. Below 5% CAGR in either dividends or in EPS no options vest, with a pro-rata straight line vesting scale between 5% and 10% CAGR for each performance condition. The effect of the performance hurdles on the potential vesting of the options can be illustrated as follows:

Number of Options able to Vest if:	Cumulative Annual Growth Rate ('CAGR')				
	< 5%	5%	5% - 10%	= or >10%	
EPS CAGR hurdle achieved	Nil	500,000	Sliding Scale *	1,000,000	Maximum 1st Tranche Options
Dividend CAGR hurdle achieved#	Nil	500,000	Sliding Scale *	1,000,000	
EPS CAGR hurdle achieved	Nil	500,000	Sliding Scale *	1,000,000	Maximum 2nd Tranche Options
Dividend CAGR hurdle achieved#	Nil	500,000	Sliding Scale *	1,000,000	
EPS CAGR hurdle achieved	Nil	500,000	Sliding Scale *	1,000,000	Maximum 3rd Tranche Options
Dividend CAGR hurdle achieved#	Nil	500,000	Sliding Scale *	1,000,000	

# Subject to '2 out of 4 years' test.

\* A pro rata straight line vesting scale applies.

All the options are exercisable no later than 1 March 2015. In the event of termination without cause, Mr Burke may exercise the options that have already vested or that vest during the following 12 month period, or he may exercise vested options within 7 days of cessation of employment in the event of termination for cause.

During the year ended 30 June 2011, 742,904 of first tranche EPS options vested and 257,096 EPS options lapsed. The value of the lapsed options as at the date of lapsing was \$63,524 (2010: nil). Although the first tranche DPS options did not meet the minimum CAGR hurdle to vest in 2011, the DPS hurdle is subject to retesting in 2012 following the clarification of the option terms approved at the General Meeting of shareholders on 29 June 2011.

The terms of the grant of the options provide that should the Board determine that Mr. Burke has entered into a hedging transaction or other transaction having the effect of limiting or eliminating the economic risk associated with the Options as a result of the dividend and EPS growth vesting hurdles to which they are subject, the Options will expire.

The fair value of each option has been estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions:

- Expected volatility: 35%;
- Expected yield: 5.0%;
- Risk-free interest rate: 6.38%; and
- Expected life of options: 3, 4 and 5 years ended 1 March 2011, 2012 and 2013 with expiry at 1 March 2015.

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 Mr. Burke were \$0.25, \$0.27 and \$0.29 for Tranches 1, 2 and 3 respectively.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$361,803 for the 2011 financial year (2010: \$417,511).

#### (iv) Holdings of Executive Directors and Senior Managers

Other than the ESP allotment to Ms. J. E. Raffe and the vesting of some of the CEO's 2008 OP options described above, there have been no allotments to KMP under any share based payment plan during the year ended 30 June 2011 (2010: nil).

The number of shares in the Company and in Austereo during the financial year in which the KMP of the Company have a relevant interest, including their personally-related entities, are set out in Note 25.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (26) SHARE BASED PAYMENT PLANS (continued)

### (c) Option holdings of Key Management Personnel (Consolidated)

#### (i) Holdings of Options over shares in Village Roadshow Limited of Key Management Personnel during the year and prior year

30 JUNE 2011	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
NAME						
<b>Directors</b>						
Graham W. Burke	6,000,000	-	-	(257,096)	5,742,904	742,904
<b>Executives</b>						
Nil						

30 JUNE 2010	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
NAME						
<b>Directors</b>						
Graham W. Burke	6,000,000	-	-	-	6,000,000	-
<b>Executives</b>						
Nil						

Other than the 'in substance options' described in (b) above, no options are vested and unexercisable at the end of the year.

#### (ii) Holdings of 'In Substance Options' of Key Management Personnel in shares in Village Roadshow Limited during the year and prior year

30 JUNE 2011	BALANCE AT THE START OF THE YEAR		GRANTED AS REMUNERATION		ON EXERCISE OF OPTIONS	NET CHANGE OTHER		BALANCE AT THE END OF THE YEAR	
NAME	Ordinary	Preference	Ordinary	Preference	Ord./Pref.	Ordinary <sup>1</sup>	Preference <sup>1</sup>	Ordinary	
<b>Directors</b>									
Peter M. Harvie	257,400	242,900	-	-	-	242,900	(242,900)	500,300	
<b>Executives</b>									
Philip S. Leggo <sup>2</sup>	64,350	550,000	-	-	-	485,650	(550,000)	550,000	
Julie E. Raffe <sup>3</sup>	-	350,000	350,000	-	-	350,000	(350,000)	700,000	
Clark J. Kirby <sup>4</sup>	-	-	-	-	-	-	-	-	
Simon T. Phillipson	-	400,000	-	-	-	200,000	(400,000)	200,000	
Timothy Carroll <sup>5</sup>	-	500,000	-	-	-	300,000	(500,000)	300,000	
David Kindlen	-	150,000	-	-	-	150,000	(150,000)	150,000	

30 JUNE 2010	BALANCE AT THE START OF THE YEAR		GRANTED AS REMUNERATION		ON EXERCISE OF OPTIONS	NET CHANGE OTHER		BALANCE AT THE END OF THE YEAR	
NAME	Ordinary	Preference	Ordinary	Preference	Ord./Pref.	Ordinary	Preference	Ordinary	Preference
<b>Directors</b>									
Peter M. Harvie	257,400	242,900	-	-	-	-	-	257,400	242,900
<b>Executives</b>									
Philip S. Leggo	64,350	550,000	-	-	-	-	-	64,350	550,000
Julie E. Raffe	-	350,000	-	-	-	-	-	-	350,000
Simon T. Phillipson	-	400,000	-	-	-	-	-	-	400,000
Timothy Carroll	-	500,000	-	-	-	-	-	-	500,000
Peter J. Davey <sup>6</sup>	-	250,000	-	-	-	-	-	-	250,000
David Kindlen	-	150,000	-	-	-	-	-	-	150,000

<sup>1</sup> Includes movements from preference shares converted to ordinary shares on 16 November 2010.

<sup>2</sup> On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.

<sup>3</sup> Includes allotment of 350,000 ordinary shares on 29 November 2010.

<sup>4</sup> Appointed to the Executive Committee on 1 December 2010.

<sup>5</sup> On 29 April 2011 Mr. Carroll retired from the Executive Committee and ceased as KMP from that date.

<sup>6</sup> On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.

#### (iii) Holdings of 'In Substance Options' of Key Management Personnel in shares in Austereo Group Limited during the year and prior year

30 JUNE 2011	BALANCE AT THE START OF THE YEAR	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER <sup>1</sup>	BALANCE AT THE END OF THE YEAR
NAME	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
<b>Directors</b>					
Peter M. Harvie	1,025,000	-	-	(1,025,000)	-

30 JUNE 2010	BALANCE AT THE START OF THE YEAR	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE AT THE END OF THE YEAR
NAME	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
<b>Directors</b>					
Peter M. Harvie	1,025,000	-	-	-	1,025,000

<sup>1</sup> Sold into takeover of Austereo Group Limited in March 2011

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (26) SHARE BASED PAYMENT PLANS (continued)

### (d) 'In Substance Option' Loans to Key Management Personnel (Consolidated)

(i) Details of aggregates of 'In Substance Option' loans to Key Management Personnel are as follows:

	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED <sup>1</sup>	WRITE-OFF	BALANCE AT THE END OF THE YEAR <sup>2</sup>	NUMBER IN GROUP AT THE END OF THE YEAR
	\$	\$	\$	\$	\$	No.
<b>Year ended 30 June 2011</b>						
Directors	3,260,996	101,645	59,373	-	1,406,329	1
Executives	4,968,661	201,638	9,659	-	2,914,288	3
Total KMP	8,229,657	303,283	69,032	-	4,320,617	4
<b>Year ended 30 June 2010</b>						
Directors	3,272,913	117,037	57,094	-	3,260,996	1
Executives	5,767,953	228,221	-	-	5,739,649	6
Total KMP	9,040,866	345,258	57,094	-	9,000,645	7

(ii) Details of individuals with 'In Substance Option' loans above \$100,000 in the reporting period are as follows:

30 JUNE 2011

	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED <sup>1</sup>	WRITE-OFF	BALANCE AT THE END OF THE YEAR <sup>2</sup>	HIGHEST OWING IN PERIOD
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Peter M. Harvie	3,260,996	101,645	59,373	-	1,406,329	3,278,831
<b>Executives</b>						
Philip S. Leggo <sup>3</sup>	1,280,240	68,118	-	-	1,061,900	1,280,240
Julie E. Raffae	1,079,384	55,521	-	-	1,852,404	1,901,884
Simon T. Phillipson	920,114	40,000	-	-	606,791	920,114
Timothy Carroll <sup>4</sup>	1,226,330	30,000	9,659	-	910,186	1,226,330
David Kindlen	462,593	15,000	-	-	455,093	462,593

30 JUNE 2010

	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED <sup>1</sup>	WRITE-OFF	BALANCE AT THE END OF THE YEAR <sup>2</sup>	HIGHEST OWING IN PERIOD
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Peter M. Harvie	3,272,913	117,037	57,094	-	3,260,996	3,307,314
<b>Executives</b>						
Philip S. Leggo	1,285,856	63,221	-	-	1,280,240	1,290,383
Julie E. Raffae	1,084,196	35,000	-	-	1,079,384	1,085,838
Simon T. Phillipson	925,614	40,000	-	-	920,114	927,491
Timothy Carroll	1,233,205	50,000	-	-	1,226,330	1,235,551
Peter J. Davey <sup>5</sup>	774,426	25,000	-	-	770,988	775,599
David Kindlen	464,656	15,000	-	-	462,593	465,359

<sup>1</sup> Refers to aggregate net non-monetary benefit to reflect the value of the difference between the interest at the deemed arms length market interest rate and the actual interest rate charged and paid and payable on a cents per share basis on 'in substance option' loans for shares held under the Company's various executive incentive share plans. In relation to those 'in substance options' granted after 7 November 2002, the benefit thereon in effect is already included in the notional cost of the relevant share-based payments.

<sup>2</sup> Note that, as only selected movements are required to be disclosed, the figures in these tables may not add across. In addition, the 2011 opening balance for Executives differs to the 2010 closing balance as Mr. P.J. Davey ceased as KMP.

<sup>3</sup> On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.

<sup>4</sup> On 29 April 2011 Mr. Carroll retired from the Executive Committee and ceased as KMP from that date.

<sup>5</sup> On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.

### (iii) Summary of terms and conditions of 'In Substance Option' loans to Key Management Personnel

Under the terms of the Executive Share Plan Loan Facility, 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 legacy 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.

No write-downs or allowances for doubtful receivables have been recognised in relation to the principal amounts of any loans made to Key Management Personnel.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (26) SHARE BASED PAYMENT PLANS (continued)

### (d) 'In Substance Option' Loans to Key Management Personnel (Consolidated) (continued)

#### (iv) Number and weighted average exercise prices ("WAEP") and movements of Options & 'In Substance Options' of Key Management Personnel during the year

	2011		2010	
	Number	WAEP - \$	Number	WAEP - \$
Outstanding at Beginning of Year	16,506,450	2.66	17,131,450	2.65
Granted during the Year	350,000	2.35	-	-
Forfeited/lapsed during the Year	(390,000)	3.37	(420,000)	2.81
Exercised during the Year	(6,346,150)	2.05	(205,000)	1.42
Expired during the year	(257,096)	3.00	-	-
Outstanding at the end of the Year	9,863,204	2.85	16,506,450	2.66
Exercisable at the end of the Year	5,020,204	2.89	9,120,450	2.37

#### (v) The outstanding balance as at 30 June 2011 is represented by:

Legacy loans over 1993 equity linked performance plan for 257,400 'in substance options' with an issue price of \$2.63 each, and 42,900 'in substance options' with an issue price of \$1.85 each.

Executive Share Plan and Loan Facility: 3,820,000 'in substance options' over ordinary shares in the Company with issue prices ranging from \$1.58 to \$3.22.

Option Plan for CEO: 5,742,904 options over ordinary shares in the Company exercisable at \$2.00 each with an expiry date of 1 March 2015.

		CONSOLIDATED	
		2011	2010
		\$	\$

## (27) REMUNERATION OF AUDITORS

The auditor of VRL is Ernst & Young (Australia). Aggregate remuneration received or due and receivable by Ernst & Young, directly or indirectly from the VRL group, in connection with –

### Ernst & Young (Australia) –

An audit or review of the financial report of VRL and any other entity in the VRL group	1,289,475	1,559,401
Other services in relation to VRL and any other entity in the VRL group		
– Tax	248,000	188,000
– Advisory/Corporate Finance	707,500	314,000
– Assurance related	57,000	104,000
	2,301,975	2,165,401

### Auditors other than Ernst & Young (Australia) –

An audit or review of the financial reports of any entity in the VRL group	40,362	88,080
Other services in relation to any entity in the VRL group		
– Tax	271,000	193,000
– Assurance related	7,000	-
	318,362	281,080
	2,620,337	2,446,481

## (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 Group since the end of the financial year.

### (a) Shareholder Distribution of \$1.00 per share paid in July 2011:

Following approval by shareholders in general meeting, a distribution of \$1.00 per ordinary share, totalling \$151.5 million, was paid on 19 July 2011. This cash distribution comprised a fully-franked distribution of \$0.80 per share, and a capital reduction amount of \$0.20 per share.

### (b) Loan amounts provided to Village Roadshow Entertainment Group (Asia) Limited ("VREG Asia") subsequent to year-end:

Refer to Note 11 for details relating to the loan and option arrangements with VREG Asia, including the amounts provided to VREG Asia under the loan facility subsequent to 30 June 2011.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (29) INTERESTS IN JOINTLY CONTROLLED OPERATIONS

### Interests in jointly controlled continuing operations:

Names and principal activities of jointly controlled operations, the percentage interest held by entities in the Group and the contributions of those jointly controlled operations to results after tax –

Name	Principal Activity	% Interest Held 2011	CONTRIBUTIONS TO OPERATING PROFIT AFTER TAX	
			2011 \$'000	2010 \$'000
Australian Theatres	Multiplex cinema operator	50.00%	23,514	28,695
Browns Plains Multiplex Cinemas	Multiplex cinema operator	33.33%	53	101
Carlton Nova/Palace	Cinema operator	25.00%	438	622
Castle Towers Multiplex Cinemas	Multiplex cinema operator	33.33%	789	648
Geelong Cinema	Cinema operator	50.00%	488	609
Jam Factory Cinema	Cinema operator	50.00%	4	255
Morwell Multiplex Cinemas	Cinema operator	75.00%	636	737
Mt. Gravatt Multiplex Cinemas	Cinema operator	33.33%	930	1,118
Village/GUO/BCC Cinemas	Cinema operator	50.00%	2,938	2,968
Village/Sali Cinemas Bendigo	Cinema operator	50.00%	790	901
Village Anderson Cinemas	Cinema operator	-	-	1,674
Village Warrnambool Cinemas	Cinema operator	50.00%	1,175	172
Werribee Cinemas	Cinema operator	50.00%	336	-
			32,091	38,500

There were no impairment losses in the jointly controlled operations.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Aggregate share of assets and liabilities in jointly controlled continuing operations –		
<b>Current assets:</b>		
Cash	10,210	12,044
Receivables	5,977	4,111
Inventories/Other	2,508	3,018
<b>Non-current assets:</b>		
Property, plant & equipment and intangibles	77,663	71,254
Receivables/Other	3,354	4,510
<b>Current liabilities:</b>		
Payables	(14,223)	(15,324)
Borrowings/Provisions/Other	(5,792)	(5,098)
<b>Non-Current liabilities:</b>		
Payables	(842)	(477)
Borrowings/Provisions/Other	(3,019)	(2,686)
Share of net assets of jointly controlled operations	75,836	71,352



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (30) SEGMENT REPORTING

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		OTHER		TOTAL	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>(a) Reporting by operating segments – continuing operations:</b>										
Total segment revenue	279,193	303,289	234,562	237,373	389,885	409,295	–	–	903,640	949,957
Plus: Non-segment revenue	–	–	–	–	(17,417)	(15,634)	18,003	8,042	18,003	8,042
Less: Inter-segment revenue	–	–	–	–	–	–	(1,386)	(342)	(18,803)	(15,976)
<b>Total Revenue</b>										
	279,193	303,289	234,562	237,373	389,885	409,295	18,003	8,042	903,640	949,957
	–	–	–	–	(17,417)	(15,634)	(1,386)	(342)	(18,803)	(15,976)
	–	–	–	–	–	–	–	–	–	–
<b>Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"), excluding material items</b>	87,222	96,045	46,384	46,604	50,518	50,041	(43,593)	(45,713)	140,531	146,977
Segment results before tax and material items of income and expense	31,112	42,860	28,355	30,802	35,479	36,631	–	–	94,946	110,293
Non-segment result (Corporate) before tax and material items of income and expense	–	–	–	–	–	–	(47,823)	(60,956)	(47,823)	(60,956)
<b>Operating profit before tax and material items of income and expense</b>	31,112	42,860	28,355	30,802	35,479	36,631	(47,823)	(60,956)	47,123	49,337
Income tax (expense) benefit excluding material items of income and expense	(9,847)	(12,858)	(6,395)	(9,241)	(11,045)	(10,989)	11,417	18,782	(15,870)	(14,306)
<b>Operating profit after tax, before material items of income and expense</b>	21,265	30,002	21,960	21,561	24,434	25,642	(36,406)	(42,174)	31,253	35,031
Material items of income and expense before tax	(15,970)	3,795	(8,800)	(2,395)	801	2,348	(36,247)	(7,155)	(60,216)	(3,407)
Income tax (expense) benefit – material items	3,740	(1,139)	149	56	(240)	(704)	53,403	21,848	57,052	20,061
Material items of income and expense after tax	(12,230)	2,656	(8,651)	(2,339)	561	1,644	(36,406)	(42,174)	(3,164)	16,654
Total profit before tax from continuing operations	15,142	46,655	19,555	28,407	36,280	38,979	(84,070)	(68,111)	(13,093)	45,930
Total income tax expense from continuing operations	(6,107)	(13,997)	(6,246)	(9,185)	(11,285)	(11,693)	64,820	40,630	41,182	5,755
<b>Total profit after tax from continuing operations per the statement of comprehensive income</b>	9,035	32,658	13,309	19,222	24,995	27,286	(19,250)	(27,481)	28,089	51,685
Interest income	497	491	845	614	1,792	1,696	10,420	2,373	13,554	5,174
Finance costs before fair value change on derivatives	24,939	20,705	6,382	5,787	9,916	7,865	11,354	14,915	52,591	49,272
Finance costs – fair value change on derivatives (material items)	–	–	–	–	–	–	–	–	(1,364)	(5,917)
Total finance costs	–	–	–	–	–	–	–	–	–	–
Depreciation and amortisation expense	31,668	32,971	12,492	10,629	6,915	7,241	3,296	2,701	54,371	53,542
Equity accounted net profit (loss) excluding material items	–	–	2,600	(2,541)	(2,050)	–	356	(218)	906	(2,759)
Equity accounted net profit (loss) – material items	–	–	–	–	–	–	–	–	(37,041)	(2,209)
Total equity accounted net profit (loss)	–	–	–	–	–	–	–	–	(36,135)	(4,968)
Non-cash expenses other than depreciation	12	353	41	–	122	121	134	693	309	1,167
Capital expenditure	38,164	27,133	20,503	8,569	2,381	2,863	3,779	1,830	64,827	40,395
<b>(b) Material items of income and expense from continuing operations:</b>										
Impairment, write-downs and provisions relating to non-current assets and onerous lease									(24,807)	(4,354)
Unrealised mark to market profits (losses) on interest rate and foreign currency derivatives not designated in hedging relationships									1,283	5,991
Equity-accounted losses on net investments									(32,332)	–
Restructuring costs									(4,360)	–
Net realised foreign currency profits (losses) on non-recurring items									–	(5,044)
<b>Total profit (loss) from material items of income and expense before tax</b>									(60,216)	(3,407)
Income tax benefit									57,052	20,061
<b>Total profit (loss) from material items of income and expense after tax</b>									(3,164)	16,654
<b>(c) Earnings Per Share adjusted to eliminate discontinued operations and material items of income and expense from the calculations:</b>										
Basic and diluted EPS									22.89 cents	22.63 cents
<b>Total EPS</b>									20.09 cents	18.51 cents
Weighted Average Number of Ordinary shares outstanding during the period used:									136,554,235	119,015,814
Weighted Average Number of Total shares outstanding during the period used:									155,591,590	189,282,366

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (30) SEGMENT REPORTING (continued)

### (d) Reporting by geographic regions:

	AUSTRALIA		UNITED STATES OF AMERICA		NEW ZEALAND		OTHER		TOTAL	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue – continuing operations	852,482	881,806	19,497	24,852	30,861	35,365	–	–	902,840	942,023
Non-current assets	803,733	1,485,913	59,655	80,528	768	12,663	13,049	15,645	877,205	1,594,749

## (31) DISCONTINUED OPERATIONS

As advised in a number of announcements to the Australian Securities Exchange (“ASX”) during the year ended 30 June 2011, the VRL group has sold its Attractions division, being the Sydney Attractions Group and Kelly Tarlton’s in New Zealand, effective from 26 December 2010. Also, as advised in a number of announcements to ASX during the year ended 30 June 2011, the VRL group accepted a takeover offer from Southern Cross Media Group Limited for all of its shares in Austereo Group Limited, and elected to receive all consideration in cash. The sale of Austereo Group Limited has been accounted for as effective from 31 March 2011. The total gain on disposal of discontinued operations in the year ended 30 June 2011 was \$134.3 million after tax.

In the previous comparative period, as advised to ASX on 10 August 2009, the VRL group disposed of its Cinema Exhibition and Film Distribution operations in Greece, and also disposed of its Cinema Exhibition operations in the Czech Republic, effective from 1 July 2009. This resulted in a gain on disposal after tax of \$25.6 million.

Details of the results of the above discontinued operations for the current and previous corresponding periods are as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>(i) Profit or loss:</b>		
Revenues	236,946	314,202
Other income	203,707	74,744
Share of associates profits	1,726	1,891
Finance costs	(12,618)	(17,201)
Expenses excluding finance costs	(169,960)	(294,621)
Profit (loss) from discontinued operations before tax	259,801	79,015
Income tax expense	(83,618)	(13,496)
Profit from discontinued operations after tax	176,183	65,519
Non-controlling interest	18,756	22,369
Profit after tax attributable to owners of the parent	157,427	43,150

### (ii) Cash flow Information:

The consolidated net cash flows of the discontinued operations during the reporting period were as follows:

Net operating cash flows	54,730	69,089
Net investing cash flows	533,168	51,186
Net financing cash flows <sup>1</sup>	(100,565)	(44,694)
Total net cash flows	487,333	75,581

### (iii) Statement of Financial Position/Other Information:

Assets – carrying amount at reporting date	–	–
Liabilities at reporting date	–	–
Net assets (liabilities) at reporting date	–	–
Consideration received or receivable – cash and cash equivalents	547,848	83,839
Net assets disposed of	346,805	61,634
Gain on disposal of net assets before income tax	201,043	22,205
Tax (expense) benefit relating to disposal of net assets	(66,793)	3,345
Gain on disposal of net assets after income tax	134,250	25,550

### (iv) Net cash inflow on disposal:

Cash and cash equivalents consideration	547,848	83,839
Less cash and cash equivalents balance disposed of	–	11,177
Reflected in the statement of cash flows	547,848	72,662

### (v) Earnings per share (cents per share):

– Basic and diluted from discontinued operations	115.29	36.26
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<sup>1</sup> Included in the discontinued net financing cashflows for 2011 are dividends paid by Austereo Group Limited to Village Roadshow Limited of \$19.4 million (2010: \$16.5 million).

<sup>2</sup> The comparative figures for 2010 for the Income Statement and Cash flow information have been restated to include the operations that were discontinued in the year ended 30 June 2011.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## VILLAGE ROADSHOW LIMITED

	2011 \$'000	2010 \$'000
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### (32) PARENT ENTITY DISCLOSURES

#### (a) Summary financial information

Current assets	864	1,268
Total assets	626,177	748,249
Current liabilities	66,412	10,752
Total liabilities	67,651	135,110
Issued capital	250,409	280,316
Retained earnings	301,481	326,887
Employee equity benefit reserve	6,636	5,936
Total shareholders' equity	558,526	613,139
Profit (loss) after tax	4,879	(20,042)
Total comprehensive income (expense)	4,879	(20,042)

#### (b) Financial guarantees

Financial guarantees (refer Note 15(i))	1,293	2,533
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#### (c) Franking credit balance

Amount of franking credits available as at year-end	1,283	819
Franking credits that will arise from payment of VRL's provision for tax recorded at year-end	52,968	-
Franking debits that will arise after year-end, in relation to dividends paid or declared (as at the date of this report)	(57,122)	-
Amount of franking credits (deficit) available after adjusting for the above impacts <sup>1</sup>	(2,871)	819

<sup>1</sup> The franking deficit shown above for 2011 is expected to be covered by income tax instalments relating to the year ending 30 June 2012.

#### (d) Contingent liabilities

(i) Termination benefits under personal services agreements for executives and consultants <sup>1</sup>	-	6,023
(ii) Bank guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	2,573	1,659
(iii) Several corporate guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	52,725	64,061
(b) Guarantees for joint ventures	19,142	20,360
(iv) Other corporate guarantee commitments		
(a) Guarantees in respect of subsidiaries' commitments	3,000	5,000
(b) Guarantees in respect of associated entities' banking facilities	3,787	5,000
	81,227	102,103

<sup>1</sup> As a result of the Corporate restructuring of the VRL group which occurred in the year ended 30 June 2011, the remaining contingent liabilities relating to termination benefits under personal service agreements have been assessed as remote. The relevant disclosures relating to employment contracts for Key Management Personnel are included in the Remuneration Report.

### (33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### (a) Objectives for holding financial instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, finance leases and hire purchase contracts, trade receivables, trade payables and cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also enters into derivative transactions, including principally interest rate swaps, caps and collars (caps and floors). The purpose is to manage the interest rate risks arising from the Group's sources of finance. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, liquidity risk and credit risk, and include the fair value movements from the financial instruments. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through comparing projected debt levels against total committed facilities. The Board reviews and agrees policies for managing each of these risks, which are summarised below. Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in Note 1.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Risk exposures and responses

#### Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a variable interest rate. The level of debt is disclosed in Note 16.

The primary objectives of interest rate management for the Group are to ensure that:

- interest expense does not adversely impact the Group's ability to meet taxation, dividend and other operating obligations as they arise;
- earnings are not subjected to wide fluctuations caused by fluctuating interest commitments; and
- covenants agreed with bankers are not breached.

Within the above constraints and targets, the Group's objective in managing interest rate risk is to maintain the stability of interest rate expense whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements. At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian and USA variable interest rate risk that were not designated in cash flow hedges:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>Financial assets:</b>		
Cash and cash equivalents	431,670	101,720
<b>Financial liabilities:</b>		
Secured and unsecured borrowings	484,925	803,813
Net exposure	53,255	702,093

The Group enters into interest rate swap, cap and collar agreements ("interest rate derivatives") that are used to convert the variable interest rates attached to various of its specific facilities into fixed interest rates, or to limit interest rate exposure. The interest rate derivatives 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 risk will not generally be hedged unless the underlying debt facility draw down exceeds A\$20 million. For any debt exceeding this level, other than facilities that fluctuate, interest rate exposure will generally be hedged for a minimum of 50% of the outstanding debt.

At reporting date, various entities within the Group had entered into interest rate derivatives covering debts totalling \$333.8 million (2010: \$535.0 million). These interest rate derivatives covered approximately 69% (2010: 58%) of total borrowings of the Group as at reporting date. The majority (by value) of the interest rate derivatives mature in 2011 to 2015 (2010: 2010 to 2012), and have not been designated in hedging relationships under Australian Accounting Standards.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. Sensitivity analysis for interest rate risk exposures has been calculated by estimating the impacts in value and timing based on financial models. The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. A sensitivity of 100 basis points has been selected as this is deemed to be reasonably possible given the current level of both short term and long term Australian and USA interest rates.

At 30 June 2011 and 30 June 2010, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT HIGHER / (LOWER)		EQUITY HIGHER / (LOWER)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Sensitivity analysis				
<b>CONSOLIDATED</b>				
If interest rates were 100 basis points higher with all other variables held constant	2,747	(3,484)	-	1,180
If interest rates were 100 basis points lower with all other variables held constant	(2,102)	2,609	-	(1,194)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges and the movements resulting from the sale of Austereo in the year ended 30 June 2011. The sensitivities for each year are impacted by cash, debt and derivative balances, as well as interest rates.

#### Foreign currency risk

The Group has transactional foreign currency exposures, which arise from sales or purchases by the relevant division in currencies other than the division's functional currency.

In general, the Group requires all of its divisions to use forward currency contracts to eliminate the foreign currency exposure on any individual transactions in excess of A\$0.5 million, which are generally required to be taken out immediately when a firm commitment has occurred. The forward currency contracts must be in the same currency as the hedged item, and it is the Group's policy not to enter into forward contracts until a firm commitment is in place.

In addition, the Film Distribution division uses forward currency contracts to eliminate the foreign currency exposure on part of that division's estimated foreign currency payments, which are regularly updated to ensure a rolling forward cover position.

It is the Group's policy to negotiate the terms of the foreign currency derivatives to match the terms of the underlying foreign currency exposures as closely as possible, to maximise the effectiveness of the derivatives. As at 30 June 2011 and 30 June 2010, the Group had hedged the majority (by value) of foreign currency purchases that were firm commitments.

As at 30 June 2011 and 30 June 2010, the Group had no material net exposure to foreign currency, and no material exposure to foreign currency that was designated in cash flow hedges or covered by held for trading derivatives.

#### Commodity price risk

The Group's exposure to price risk is minimal.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Risk exposures and responses (continued)

#### Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

- payment terms are generally 30 to 90 days; and
- a risk assessment process is used for customers over \$50,000.

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as recognised on the balance sheet.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. However, the Group ensures that it only enters into contracts with credit worthy institutions, as set out in the relevant Group policy.

#### Concentrations of credit risk:

The Group 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 are mainly concentrated in Australia. Refer also to Note 30(d).

#### Liquidity Risk

Liquidity risk management is concerned with ensuring that there are sufficient funds available to meet the Group's commitments in a timely manner. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

Liquidity risk is measured by comparing projected net debt levels for the next 12 months against total committed facilities on a rolling monthly basis and includes monthly cash flow forecasts from the Group's operating divisions. Projected net debt levels take into account:

- existing debt;
- future operating and financing cash flows;
- approved capital expenditure;
- approved investment expenditure for new sites; and
- dividend distributions and income tax payments.

The risk implied from the values shown in the following table reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant and equipment and investments in working capital. These assets are considered in the Group's overall liquidity risk. To ensure that the maturity of funding facilities is not concentrated in one period, the Group will generally ensure that no more than 30% of its committed facilities mature within any 12 month period. As at 30 June 2011, 10% (2010: 7%) of the Group's debt will mature in less than one year.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects the expectations of management of settlement of financial assets and liabilities.

The following table reflects all contractually fixed payables and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2011. For derivative financial instruments and other obligations, the contractual undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

	1 YEAR OR LESS		OVER 1 YEAR TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
	2011 \$ '000	2010 \$ '000	2011 \$ '000	2010 \$ '000	2011 \$ '000	2010 \$ '000	2011 \$ '000	2010 \$ '000
<b>CONSOLIDATED</b>								
<b>(i) Financial assets</b>								
Cash	431,670	101,720	-	-	-	-	431,670	101,720
Receivables and other advances	98,862	163,566	10,148	76,420	-	-	109,010	239,986
Derivatives	25,347	13,103	15,017	3,099	-	-	40,364	16,202
Security deposits	-	-	1,279	1,627	-	-	1,279	1,627
Total financial assets	555,879	278,389	26,444	81,146	-	-	582,323	359,535
<b>(ii) Financial liabilities</b>								
Trade and other payables	150,450	226,358	30,504	31,988	-	-	180,954	258,346
Secured and unsecured borrowings	88,727	135,266	507,974	945,505	34,187	45,564	630,888	1,126,335
Finance lease liabilities	80	210	179	390	-	-	259	600
Derivatives	26,103	15,847	18,723	4,923	-	-	44,826	20,770
Total financial liabilities	265,360	377,681	557,380	982,806	34,187	45,564	856,927	1,406,051
Net maturity	290,519	(99,292)	(530,936)	(901,660)	(34,187)	(45,564)	(274,604)	(1,046,516)

Liquidity is managed daily through the use of available cash flow and committed facilities. Refer to Note 6(c) for details of available financing facilities, which shows that there were undrawn finance facility amounts of \$8.0 million as at 30 June 2011, and that a \$100 million facility is currently in the process of being re-negotiated.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Terms, conditions and accounting policies

The Group's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument are as follows:

#### Recognised Financial Instruments

##### (i) Financial assets

###### *Receivables – trade debtors:*

Trade debtors are non-interest bearing and are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the debt. Credit sales are normally settled on 30-90 day terms.

###### *Receivables – associated entities and other advances:*

Amounts (other than trade debts) receivable from associated entities and for other advances are carried at either the nominal amounts due or the amounts initially recorded as recoverable. Interest, when charged, is recognised in profit or loss on an accrual basis, and provided against when not probable of recovery. Other than the loan to Village Roadshow Entertainment Group Limited ("VREG") (which was converted to VL class shares in VREG during the year ended 30 June 2011, but which is on similar economic terms to the loan), which has specified repayment terms in certain circumstances, there are no fixed settlement terms for loans to associated and other entities.

###### *Unsecured advances:*

Unsecured advances are shown at cost. Interest, when charged, is recognised in profit or loss on an accrual basis. There are no fixed settlement terms.

###### *Available for sale investments:*

Available for sale investments are shown at fair value.

##### (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 Group. They are non-interest bearing and are normally settled on 30-90 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 profit or loss on an accruals basis. There are no fixed settlement terms.

###### *Secured and unsecured borrowings:*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised. Interest is recognised in profit or loss 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 section below).

Details of security over bank loans is set out in Note 16.

###### *Finance lease liabilities:*

Finance lease liabilities are accounted for in accordance with AASB 117: *Leases*. As at reporting date, the Group had finance leases with an average lease term of three years. The average discount rate implicit in the leases is 7.2% p.a (2010: 7.2%).

###### *Interest rate swaps:*

At reporting date, the Group had a number of interest rate swap agreements in place. Such agreements are being used to hedge the cash flow interest rate risk of various debt obligations with a floating interest rate.

###### *Interest rate collars:*

At reporting date, the Group had a number of interest rate collar (floor and cap) agreements in place. These derivatives are being used to assist in hedging the cash flow interest rate risk of various debt obligations with a floating interest rate.

The interest rate swaps have the same critical terms as the underlying debt obligations. The interest rate collars have been based on the underlying debt obligations, and closely match the terms of those obligations.

##### (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 buy-back cost (including direct buy-back 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 reporting date are set out in Note 19.

###### *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 buy-back cost (including direct buy-back 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 reporting date are set out in Note 19.

During the six months ended 31 December 2010, VRL bought back approximately 7.3 million ordinary shares and 7.7 million preference shares, for a total cash outflow, including related costs, of \$41.4 million. Following this buyback, as approved by shareholders at an Extraordinary General Meeting, the preference shares were varied to become ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (d) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements, excluding those classified under discontinued operations.

	TOTAL CARRYING AMOUNT AS PER STATEMENT OF FINANCIAL POSITION		AGGREGATE NET FAIR VALUE	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>CONSOLIDATED</b>				
<b>Financial assets:</b>				
Cash	431,670	101,720	431,670	101,720
Receivables – trade debtors	108,665	173,552	108,665	173,552
Receivables – associated entities and other advances	–	61,870	–	54,460
Unsecured advances	345	4,564	318	4,387
Available for sale investments	302	843	302	843
Derivatives	2	687	2	687
Security Deposits	1,279	1,627	1,279	1,627
<b>Total financial assets</b>	<b>542,263</b>	<b>344,863</b>	<b>542,236</b>	<b>337,276</b>
<b>Financial liabilities:</b>				
Trade and other payables	180,954	258,346	180,954	258,346
Secured and unsecured borrowings	484,925	928,213	380,372	761,804
Finance lease liabilities	259	600	230	535
Derivatives	4,277	5,129	4,277	5,129
<b>Total financial liabilities</b>	<b>670,415</b>	<b>1,192,288</b>	<b>565,833</b>	<b>1,025,814</b>

Receivables from associated entities and other advances for 2010, and unsecured advances, 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 fair values of financial assets and liabilities:

#### **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.

#### **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.

The Group uses the following methods in calculating or estimating the fair value of a financial instrument:

Level 1: Fair value is calculated using quoted prices in active markets.

Level 2: Fair value is estimated using inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The fair value of the financial instruments as well as methods used to estimate the fair value are summarised in the table below.

Level 3: Fair value is estimated using inputs for the asset that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	2011			2010		
	Valuation technique – market observable inputs (Level 2) \$'000	Valuation technique – market observable inputs (Level 3) \$'000	Total \$'000	Valuation technique – market observable inputs (Level 2) \$'000	Valuation technique – market observable inputs (Level 3) \$'000	Total \$'000
<b>Financial assets:</b>						
Available for sale investments	–	302	302	–	843	843
Derivatives	2	–	2	687	–	687
<b>Total financial assets</b>	<b>2</b>	<b>302</b>	<b>304</b>	<b>687</b>	<b>843</b>	<b>1,530</b>
<b>Financial liabilities:</b>						
Derivatives	4,277	–	4,277	5,129	–	5,129
<b>Total financial liabilities</b>	<b>4,277</b>	<b>–</b>	<b>4,277</b>	<b>5,129</b>	<b>–</b>	<b>5,129</b>

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques and other relevant models used by market participants. These valuations use both observable and unobservable market inputs.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (d) Fair values (continued)

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the statement of financial position and the related changes in fair values recorded in equity are reasonable and the most appropriate at the reporting date. Management also believes that changing any of the assumptions to a reasonably possible alternative would not result in a significantly different value.

The reduction in the level 3 valuation amount is due to the disposal of the VRL group's investment in Austereo (which had an available for sale investment of \$0.541 million) during the year ended 30 June 2011.

### (e) Derivative financial instruments

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
<b>Current assets:</b>		
Forward currency contracts – held for trading	–	55
Forward currency contracts – cash flow hedges	2	191
Interest rate swap contracts – cash flow hedges	–	108
Interest rate swap contracts – held for trading	–	333
	2	687
<b>Current liabilities:</b>		
Interest rate swap contracts – held for trading	95	113
Interest rate swap contracts – cash flow hedges	–	932
Interest rate collars – held for trading	648	2,374
Forward currency contracts – held for trading	25	–
Forward currency contracts – cash flow hedges	2,095	–
	2,863	3,419
<b>Non-current liabilities:</b>		
Interest rate swap contracts – held for trading	64	–
Interest rate swap contracts – cash flow hedges	–	505
Interest rate collars – held for trading	923	1,205
Forward currency contracts – cash flow hedges	427	–
	1,414	1,710

### Instruments used by the Group

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps and collars (floors and caps) to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Refer Note 1(c)(ix).

#### (i) Forward currency contracts – cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. Where a hedge meets the strict criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The Group has the following foreign currency contracts designated as cash flow hedges at 30 June 2011 and 30 June 2010:

	NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE	
	2011 \$'000	2010 \$'000	2011	2010
<b>Consolidated:</b>				
USD hedges	(2,343)	191	0.9556	0.8816
GBP hedges	(177)	–	0.6180	–

#### (ii) Forward currency contracts – held for trading

Amounts relating to forward currency contracts that have not been designated as hedges are recognised in profit or loss and disclosed as being held for trading. The Group has the following such forward currency contracts outstanding at 30 June 2011 and 30 June 2010:

	NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE	
	2011 \$'000	2010 \$'000	2011	2010
<b>Consolidated:</b>				
USD derivatives	–	55	–	0.9036
CAD derivatives	(25)	–	0.8874	–



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2011

## (33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (e) Derivative financial instruments (continued)

#### Instruments used by the Group (continued)

##### (iii) Interest rate swaps – cash flow hedges

In order to protect against rising interest rates, the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. As at 30 June 2011, the Group did not have any interest rate swaps classified as cash flow hedges, and as at 30 June 2010, the swap rates ranged between 4.0% and 6.2%. At reporting date, the principal amounts and period of expiry of the interest rate swap contracts were as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
0-1 years	-	(824)
1-2 years	-	(505)
	-	(1,329)

##### (iv) Interest rate swaps – held for trading

Amounts relating to interest rate swap contracts that have not been designated as hedges are recognised in profit or loss and disclosed as held for trading. At reporting date, the principal amounts and period of expiry of the interest rate swap contracts classified as held for trading were as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
0-1 years	(95)	220
1-2 years	(64)	-
	(159)	220

##### (v) Interest rate collars – held for trading

All of the Group's Interest rate collars (floors and caps) are considered to be ineffective and are therefore classified as held for trading, with all amounts being recognised in profit or loss. At reporting date, the principal amounts and period of expiry of the interest rate collars were as follows:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
0-1 years	(648)	(2,374)
1-2 years	(384)	(1,135)
2-5 years	(539)	(70)
	(1,571)	(3,579)

The Group's interest rate swaps generally require settlement of net interest receivable or payable, and the settlement dates generally coincide with the dates on which interest is payable on the underlying debt. The swaps are measured at fair value and, in respect of derivatives which are classified as effective, all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit or loss when the interest expense is recognised.

## (34) NON-KEY MANAGEMENT PERSONNEL 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

The Company's immediate parent entity is Village Roadshow Corporation Pty. Limited which is incorporated in Australia. The Company's ultimate parent entity is Positive Investments Pty. Limited which is incorporated in Australia. Refer also to the Directors' Report disclosures for relevant interests of Directors, in relation to the 100% ownership of the immediate and ultimate parent entities by Messrs. R.G. Kirby, J.R. Kirby & G.W. Burke.

### (b) 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:

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
Management & service fee revenue	2,083	1,889
Interest revenue <sup>1</sup>	1,662	911
Guarantee fees received	1,054	138
Film hire and other film expenses (paid by the VRL group to entities in the Village Roadshow Entertainment Group Limited group)	19,179	31,233
Loss on disposal of receivables	-	175
Management fees paid	1	140

<sup>1</sup> Refer Note 33 for interest rate risk on loans to associated entities.

Refer also to Note 11 in relation to the loan facility which has been executed between the VRL group and Village Roadshow Entertainment (Asia) Limited ("VREG Asia"), as well as the put and call option over VREG Asia.

## DIRECTORS' DECLARATION

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

- (1) In the opinion of the Directors -
  - (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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; and
  - (c) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board, as disclosed in Note 1(b)(i).
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2011.

On behalf of the Board



**G.W. Burke**  
Director

Melbourne, 7 September 2011.

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young Building  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VILLAGE ROADSHOW LIMITED

### Report on the financial report

We have audited the accompanying financial report of Village Roadshow Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

### Opinion

In our opinion:

- a. the financial report of Village Roadshow Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

### Report on the remuneration report

We have audited the Remuneration Report included on pages 13 to 25 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Village Roadshow Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rodney Piltz'.

Rodney Piltz  
Partner

Melbourne  
7 September 2011

# ADDITIONAL INFORMATION

VILLAGE ROADSHOW LIMITED ABN 43 010 672 054

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## FIVE YEAR FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
<b>OPERATING RESULTS – CONTINUING OPERATIONS (\$'000)</b>					
Total revenue	902,840	942,023	920,222	859,701	474,270
EBITDA before material items	140,531	146,977	127,906	139,077	101,227
EBIT before material items	86,160	93,435	74,159	76,092	63,059
Net interest expense	39,037	44,098	38,873	38,007	21,980
Tax expense, excluding tax on material items	15,870	14,306	10,157	10,032	4,343
Net profit excluding material items attributable to members	31,253	35,031	25,129	28,053	36,736
Total dividends declared (ordinary & preference)	30,286	14,952	31,586	67,492	92,406
<b>STATEMENT OF FINANCIAL POSITION (\$'000)</b>					
Total shareholders' equity	666,717	686,261	709,081	732,763	585,751
Net borrowings	53,514	827,093	899,905	872,277	1,529,049
Funds employed	720,231	1,513,354	1,608,986	1,605,040	2,117,926
Total assets	1,472,104	2,027,820	2,192,460	2,177,614	2,792,177
<b>OTHER MAJOR ITEMS (\$'000)</b>					
Capital expenditure (including investments)	88,643	62,527	122,404	261,599	331,596
Depreciation & amortisation, excluding production amortisation (to 2007)	54,371	53,542	53,747	62,985	38,168
<b>RATIOS</b>					
Return on average total shareholders' equity (%)	4.63	4.98	3.48	4.11	6.14
EBIT/average funds employed (%)	7.71	5.98	4.61	4.09	3.35
Net debt/total capital (%)	7	55	56	54	72
Interest cover (times)	2.2	2.1	1.9	2.0	2.9
<b>PER SHARE CALCULATIONS</b>					
Total EPS pre-material items and discontinued operations (cents per share)	20.09	18.51	11.18	11.54	14.14
Total EPS including material items and discontinued operations (cents per share)	119.23	50.10	5.63	105.68	17.36
Dividends – ordinary shares (cents per share)	20.000	6.000	12.750	26.500	34.000
Dividends – preference shares (cents per share)	–	9.000	15.750	29.500	37.000
Net tangible assets (\$ per share)	2.56	(1.74)	(1.18)	(1.25)	(3.97)
Net tangible assets plus Film Library (to 2007) & Radio Licences (to 2010) (\$ per share)	2.56	1.01	0.84	0.77	1.01
<b>OTHER</b>					
Accumulation index* – Ordinary shares (index base 1,000 as at 1 July 2006)	2,726	1,391	586	1,192	1,620

\*Represents value of \$1,000 invested on 1 July 2006 with all dividends reinvested

## EBITDA ANALYSIS

### RECONCILIATION OF OPERATING RESULT AND REPORTED EBITDA ANALYSIS FROM CONTINUING OPERATIONS (EXCLUDING MATERIAL ITEMS OF INCOME & EXPENSE)

	OPERATING RESULT		REPORTED EBITDA	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Operating result and reported EBITDA by business</b>				
Theme Parks	31,112	42,860	87,222	96,045
Cinema Exhibition	28,355	30,802	46,384	46,604
Film Distribution	35,479	36,631	50,518	50,041
Other (includes corporate overheads)	(47,823)	(60,956)	(43,593)	(45,713)
Total	47,123	49,337	140,531	146,977
<b>Calculation of Reported EBITDA</b>				
Profit from continuing operations before material items and tax			47,123	49,337
Add (Subtract):				
Depreciation and amortisation			54,371	53,542
Finance costs			52,591	49,272
Interest income			(13,554)	(5,174)
Reported EBITDA			140,531	146,977

### RECONCILIATION OF REPORTED EBITDA TO PROFIT BEFORE TAX BY DIVISION – CONTINUING OPERATIONS (EXCLUDING MATERIAL ITEMS OF INCOME AND EXPENSE) – 2011

	REPORTED EBITDA	DEPRECIATION/ AMORTISATION	NET INTEREST	PROFIT BEFORE TAX
	\$'000	\$'000	\$'000	\$'000
Theme Parks	87,222	(31,668)	(24,442)	31,112
Cinema Exhibition	46,384	(12,492)	(5,537)	28,355
Film Distribution	50,518	(6,915)	(8,124)	35,479
Other (includes corporate overheads)	(43,593)	(3,296)	(934)	(47,823)
Total	140,531	(54,371)	(39,037)	47,123

# SHARE REGISTER INFORMATION

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

## SUBSTANTIAL SHAREHOLDERS

Notices of substantial shareholders received as at 9 September 2011 and the number of ordinary shares held:

Name	Ordinary Shares	% of Total
Village Roadshow Corporation Pty Limited	77,859,352	51.45
Dimensional Fund Advisors LP	7,889,303	5.21

## DISTRIBUTION OF SECURITY HOLDERS AS AT 9 SEPTEMBER 2011

Category of Holding	Number of Holders	%	Number of Units	%
<b>Ordinary Shares</b>				
1 – 1,000	2,851	52.70	1,462,926	0.97
1,001 – 5,000	1,850	34.20	4,416,527	2.91
5,001 – 10,000	381	7.04	2,859,527	1.89
10,001 – 100,000	265	4.90	7,587,119	5.01
100,001 and over	63	1.16	135,158,186	89.22
	5,410	100.00	151,484,285	100.00
Number of holdings less than marketable parcel (173 shares)	589		35,188	

## VOTING RIGHTS OF 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.

## 20 LARGEST SECURITY HOLDERS AS AT 9 SEPTEMBER 2011

Name of Holder	Shares	%	Rank
Village Roadshow Corporation Pty Ltd	74,517,432	49.19	1
Citicorp Nominees Pty Limited	19,097,985	12.61	2
National Nominees Limited	9,475,636	6.26	3
J P Morgan Nominees Australia Limited	5,314,839	3.51	4
UBS Nominees Pty Ltd	3,781,742	2.50	5
Ravenscourt Pty Ltd	2,825,502	1.87	6
HSBC Custody Nominees (Australia) Limited	1,480,958	0.98	7
CS Fourth Nominees Pty Ltd	1,445,938	0.95	8
Mr Graham William Burke	1,341,920	0.89	9
Mutual Trust Pty Ltd	1,042,887	0.69	10
Mr John Kirby	1,000,000	0.66	11
Mr Robert Kirby	1,000,000	0.66	12
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	763,007	0.50	13
Mr Anthony Huntley	715,500	0.47	14
Ms Julie Raffe & Raffe Nominees Pty Ltd <Raffe Family A/C>	700,000	0.46	15
Aust Executor Trustees Ltd <Charitable Foundation>	673,637	0.44	16
Mr Philip S Leggo & Ms Elizabeth Leggo	550,000	0.36	17
RBC Dexia Investor Services Australia Nominees Pty Ltd <GSAM A/C>	515,699	0.34	18
HSBC Custody Nominees (Australia) Limited-GSCO ECA	513,115	0.34	19
Effie Holdings Properties Pty Ltd	500,000	0.33	20
TOTAL	127,255,797	84.01	

# CORPORATE DIRECTORY

## CONTACT INFORMATION

### Principal Administrative Office and Registered Office

#### Village Roadshow Limited

Level 1, 500 Chapel Street  
South Yarra Vic 3141  
Australia  
Ph: 03 9281 1000  
Fax: 03 9660 1764

### Home Exchange

#### Australian Securities Exchange

Riverside Centre  
123 Eagle Street  
Brisbane Qld 4000  
Ph: 1300 300 279  
Fax: 1300 300 021

## DIVISIONAL OFFICES

### Theme Parks

#### Village Roadshow Theme Parks

Pacific Motorway  
Oxenford Qld 4210  
Australia  
Ph: 07 5573 3999  
Fax: 07 5573 3666

### Cinema Exhibition

#### Village Cinemas

180 St Kilda Road  
St Kilda Vic 3182  
Australia  
Ph: 03 9281 1000  
Fax: 03 9653 1993

### Film Distribution

#### Roadshow Films

Level 1, 1 Garden Street  
South Yarra Vic 3141  
Australia  
Ph: 03 9829 0666  
Fax: 03 9653 1999

### Film Production and Music

#### Village Roadshow Entertainment Group

100N Crescent Drive  
Garden Level  
Beverly Hills CA 90210  
United States  
Ph: 310 385 4455

## 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](http://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

#### Computershare Investor Services Pty Limited

Yarra Falls  
452 Johnston Street  
Abbotsford Vic 3067  
Australia  
Ph: 1300 850 505  
Fax: 03 9473 2500  
within Australia

Ph: +613 9615 5970  
outside Australia

Website: [www.computershare.com](http://www.computershare.com)

Email: [webenquiries@computershare.com.au](mailto:webenquiries@computershare.com.au)



**VILLAGE ROADSHOW LIMITED**

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