ANNUAL REPORT 2012

VILLAGE ROADSHOW LIMITED

FINANCIAL REPORT 2012

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 2012.

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)	David J. Evans
John R. Kirby	Robert Le Tet
Graham W. Burke	Timothy M. Antonie
Peter D. Jonson	Julie E. Raffe (alternate to Messrs. R.G. Kirby, J.R. Kirby and G.W. Burke from 15 May 2012)
D. Barry Reardon	
Peter M. Harvie	

Company Secretaries:

Shaun L. Driscoll	Julie E. Raffe

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 61

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, 1998 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

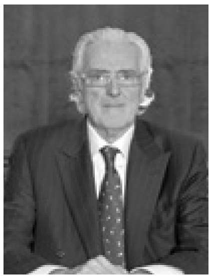
John R. Kirby

Deputy Chairman, Non-Executive Director, Age 65

Member of the Board since 12 August 1988, Executive Director to 30 June 2012. Bachelor of Economics, University of Tasmania, Member of the Australian Society of Accountants. Chairman Village Roadshow Limited 1990 to 1994, 1998 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. Mr. Kirby has held a wide number of executive positions in cinema, exhibition, film distribution, radio, theme parks, construction and strategy over his 45 years within the Village Roadshow Group. He has been at the forefront of many of the Group's successful growth outcomes today. He is a member of The Salvation Army Territorial Advisory Board and Red Shield Appeal Chairman, Deputy Chairman of The Conversation Media Group, Director of the Jigsaw Foundation at the Royal Children's Hospital, Surf Life Saving Australia Foundation and Asia Pacific Screen Awards, a division of the Queensland Arts portfolio. 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, a former member of the Victorian Premier's Multi Media Task Force, Victorian Advisory Council of the Australian Opera, Progressive Business Victoria and the 2011 President of the Australian Cinema Pioneers.

Member Executive Committee to 30 June 2012

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 70

Member of the Board 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

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 66

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. Director Metal Storm Limited from February 2006 to February 2009 and Bionomics Ltd from November 2004 to November 2009. 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
Member Corporate Governance Committee from May 2012

Other Listed Public Company Directorships in previous 3 years:
Pro Medicus Limited, from October 2000 to November 2010

D. Barry Reardon

Independent Non-Executive Director, Age 81

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

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

Peter M. Harvie

Non-Executive Director, Age 73

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 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.

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CORPORATE DIRECTORY

DIRECTORS AND SECRETARIES (continued)

Directors: (continued)

Peter M. Harvie (continued)

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 72

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 and served on the board of British Sky Broadcasting Group Plc from September 2001 until November 2011. Director of Village Roadshow Entertainment Group Limited.

Member Nomination Committee
Chairman Corporate Governance Committee from May 2012

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, from 21 September 2001 to 29 November 2011

Robert Le Tet

Independent Non-Executive Director, Age 68

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 46

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
Member Remuneration Committee
Member Corporate Governance Committee from May 2012

Other Listed Public Company Directorships in previous 3 years:
Premier Investments Limited, since 1 December 2009

Julie E. Raffe

Finance Director, Age 50

Member of the Board since 15 May 2012 as alternate director for Messrs. R.G. Kirby, J.R. Kirby and G.W. Burke. Fellow of Institute of Chartered Accountants, Fellow of Financial Services Institute of Australia, and member of Australian Institute of Company Directors. Formerly Chief Financial Officer since 1992, Ms. Raffe has over 20 years experience in the media and entertainment industries. Prior to joining Village Roadshow, Ms. Raffe was the audit manager of Horwath & Horwath in Australia and in the United Kingdom. Director of all of Village Roadshow's wholly owned subsidiaries.

Member Executive Committee

Other Listed Public Company Directorships in previous 3 years:
Signature Capital Investments Limited, from 24 July 2007 to 14 April 2011
Austereo Group Limited, alternate director from 29 August 2001 to 7 April 2011

Company Secretaries:

Shaun L. Driscoll

Group Company Secretary, Age 57

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 Management Risk & Compliance Committee, Secretary of all Village Roadshow group companies and Director of all of Village Roadshow's wholly owned subsidiaries.

Julie E. Raffe

Finance Director, Age 50

Appointed secretary of the Company on 29 April 2011. Details as above.

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	5,250,036
Peter D. Jonson	73,424	–
D. Barry Reardon	28,552	–
Peter M. Harvie	500,300	–
David J. Evans	111,971	–
Robert Le Tet	50,847	–
Timothy M. Antonie	12,747	–
Julie E. Raffe (alternate)	700,000	–

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"); and
- Film, DVD and video distribution operations ("Film Distribution").

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Overview:

The VRL group recorded a net profit after tax from continuing operations of $33.8 million for the year ended 30 June 2012, compared to the prior year result of $28.1 million. After including the sale of the listed radio division, Austereo, and Sydney Attractions Group in the prior period, attributable net profit after tax was $33.8 million for the current year, compared to $185.5 million for the prior year.

Operating profit after tax and before discontinued operations and material items of income and expense for the year ended 30 June 2012 was $52.8 million, up from $31.3 million in the prior year (refer Reconciliation of Results, which forms part of this Directors' Report, on page 12).

Earnings per share, before material items of income and expense and discontinued operations, of 34.4 cents per share is a 71% increase from the prior year comparable result of 20.1 cents per share.

Earnings before interest, tax, depreciation & amortisation, excluding material items of income and expense ("EBITDA") from continuing operations for the year ended 30 June 2012 was $154.7 million, up from the prior year amount of $140.5 million, driven by stable trading results from all divisions and a reduction in overheads.

Theme Parks:

Despite record rainfall that impacted the core business on the Gold Coast, the Theme Parks division improved EBITDA from $87.2 million in the year ended 30 June 2011 to $87.4 million in the year ended 30 June 2012, excluding material items. The USA parks, Wet'n'Wild Phoenix and Wet'n'Wild Hawaii, both enjoyed better than expected performances, helping the division overcome the poor wet weather that impacted the Gold Coast parks in key trading periods during the financial year.

Operating profit before tax, discontinued operations and material items for the division was reduced due to increased interest charges following the refinancing in the prior year and increased depreciation charges from capital investment made in new attractions to drive attendance. These included the Nickelodeon Parade at Sea World, the Splash Bash at Sea World Resort & Water Park (a Nickelodeon themed attraction), the Green Lantern steel coaster and the newly improved Batman: Arkham Asylum suspended looping coaster at Warner Bros. Movie World, as well as the new Australian Outback Spectacular show.

Development approval was granted by the NSW government in December 2011 for Wet'n'Wild Sydney, a new state of the art water park. Construction has now begun on this $110 – $120 million capital project, which is expected to open to the public in December 2013.

The Theme Parks division is also planning to open a new Wet'n'Wild water park in the United States in late May or early June of 2013. A memorandum of understanding is in place for the division to own a majority interest in the park, and to manage the day to day operations of the property. The Theme Parks division is also continuing to explore opportunities in China and in the USA.

Cinema Exhibition:

Operating profit before tax, discontinued operations and material items for the twelve months ended 30 June 2012 for the Australian Cinema Exhibition operations was $31.5 million, compared to $27.6 million in the prior year. EBITDA before discontinued operations and material items for the year ended 30 June 2012 was $48.1 million, compared to $44.9 million for the prior year. These positive results were driven by higher average ticket prices and higher admissions. This, combined with a continued strong focus on the reduction of overheads, resulted in the improved performance.

By August 2012, Village Cinemas Australia had converted all of its screens to the digital format, and is the first major exhibitor in Australia to achieve this.

The Singapore circuit experienced a positive twelve months with admissions finishing marginally higher than the prior year. A new site at Katong Mall, which opened in December 2011 with six traditional and two Gold Class Screens, has performed above expectations since opening.

Gold Class USA initially performed poorly as it was launched at the start of the Global Financial Crisis. A number of initial sites were in new centre developments that were very adversely impacted. VRL's local partners have gone a long way to addressing these issues and with strong sites coming on stream, VRL looks to this section of the business as one of potential and growth in the medium term. The VRL group owns 30% of Gold Class USA, which trades as IPic Theaters.

Film Distribution:

Operating profit before tax, discontinued operations and material items for the year ended 30 June 2012 for the Film Distribution division was $41.5 million compared to $35.5 million in the prior period. EBITDA excluding discontinued operations and material items for the financial year was $50.8 million, marginally up from the prior year result of $50.5 million. The division benefited from the reduction in amortisation of film rights arising on the VRL acquisition effective 1 July 2007.

Roadshow Films continued to be the leading theatrical distributor, with a market share of 26.5%, and the number one DVD distributor, maintaining a market share of 16.6%.

The digital market continued to grow steadily in the financial year, exceeding revenue expectations. The overachievement was largely driven by iTunes, where sales performed above target.

Film Production and Music:

The Film Production and Music division, Village Roadshow Entertainment Group ("VREG"), consists of Village Roadshow Pictures and the Concord Music Group.

As announced to the Australian Securities Exchange on 29 June 2012, VREG completed a US$275 million new funding transaction as part of the restructuring of its capital base. The new funding was part of a six-year mezzanine debt and equity arrangement with Trinity Opportunities Limited, arranged by VREG in conjunction with Hong Kong-based Shikumen Capital Management (HK) Limited.

Following the restructure, the VRL group is the largest single shareholder in VREG, with 47.63% of the ordinary shares together with approximately US$100 million of dividend bearing non-voting redeemable equity shares. The VRL group will receive approximately US$5 million per annum in dividend payments on these shares, as they will earn a 5% p.a. cash dividend and 9% p.a. payment in kind.

The new capital will be used to strengthen VREG's balance sheet with a view to increasing the number of films co-produced by Village Roadshow Pictures each year, and to support the continued growth of the Village Roadshow Entertainment Group Asia film business in China.

Corporate, Net Debt and Capital Management:

The total net corporate and other costs reduced significantly from the prior year following the previously announced cost cutting initiatives. The total costs before tax excluding material items were $29.0 million for the year ended 30 June 2012, compared with $47.8 million in the prior year. Development costs included in corporate and other costs include costs associated with the Wet'n'Wild Sydney water park and China Theme Parks projects. These costs in total amounted to $3.0 million for the 2012 year, compared to $1.3 million in the prior year, mainly due to an increased focus on the Sydney development.

Corporate overheads EBITDA was ($31.6) million for the year, having reduced significantly compared to the prior year of ($42.3) million, resulting from the previously announced reduced executive remuneration and overall cost-cutting initiatives. The current year also includes costs of circa $2.0 million which will not re-occur in future years.

The Company continued to focus on executing its digital strategy including the growth of the MyFun brand. This strategy was enhanced by the acquisition during the year of 13.99% of Dimmi, an online restaurant booking business, and, in August 2012, by a letter of intent to acquire the Edge Loyalty Systems online gift cards, loyalty and rewards business.

Net debt as at 30 June 2012 was $254.0 million, following the significant reduction in net debt to $53.5 million as at 30 June 2011 as a result of the sale of the Attractions and Radio divisions in 2011. In the year ended 30 June 2012, the VRL group paid a shareholder distribution of $151.5 million, and also paid income tax of $62.1 million relating to the disposal in the prior year of the Attractions and Radio divisions.

DIVIDENDS

In October 2011, a fully-franked final dividend of 8.0 cents per ordinary share was paid, and in March 2012, an unfranked interim dividend of 12.0 cents per ordinary share was paid. In the year ended 30 June 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 were paid in April 2011. Subsequent to 30 June 2012, the VRL Board has declared an unfranked final dividend of 10.0 cents per ordinary share, which will be paid in October 2012.

EARNINGS PER SHARE

Basic earnings per share were 22.3 cents (2011: 135.9 cents), basic earnings per share before discontinued operations were 22.3 cents (2011: 20.6 cents), and basic earnings per share before material items and discontinued operations were 34.9 cents (2011: 22.9 cents).

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EARNINGS PER SHARE (continued)

There were 1,903,759 potential ordinary shares that were dilutive in the year ended 30 June 2012 (2011: Nil). Diluted earnings per share before material items and discontinued operations were 34.4 cents (2011: Total earnings per share before material items and discontinued operations of 20.1 cents), based on a weighted average total of 153,412,594 ordinary shares (2011: 155,591,590 ordinary and A Class preference shares).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total equity of the consolidated entity decreased by $143.9 million to $522.8 million during the year. This was mainly attributable to reductions in contributed equity of $27.6 million (mainly resulting from the capital reduction of 20 cents per share, being part of the total shareholder distribution of $1.00 per ordinary share in July 2011) and retained earnings of $117.7 million.

Net profit attributable to members of the parent was $33.8 million, but after accounting for dividends and distributions provided for and paid during the year of $151.5 million (which included $121.2 million from the fully-franked distribution of 80 cents per share, being part of the total shareholder distribution of $1.00 per ordinary share in July 2011), retained earnings of the consolidated entity decreased by $117.7 million.

EVENTS SUBSEQUENT TO REPORTING DATE

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.

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 2012, 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 and Key Management Personnel of the consolidated entity are set out in Notes 24 and 25 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	Remun-eration	Corporate Governance	Nomination	Formal	Audit & Risk	Remun-eration	Corporate Governance	Nomination
Robert G. Kirby	8	–	–	–	1	8	–	–	–	1
John R. Kirby	8	–	–	–	–	8	–	–	–	–
Graham W. Burke	8	–	–	–	–	8	–	–	–	–
Peter D. Jonson	8	3	3	1	–	6	3	3	1	–
D. Barry Reardon	8	–	3	–	–	7	–	3	–	–
Peter M. Harvie	8	–	–	–	–	7	–	–	–	–
David J. Evans	8	–	–	1	1	7	–	–	1	1
Robert Le Tet	8	3	–	–	1	8	3	–	–	1
Timothy M. Antonie	8	3	3	1	–	7	3	3	1	–
Julie E. Raffe (alternate)	–	–	–	–	–	–	–	–	–	–

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

TAX CONSOLIDATION

A description of the 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 13.

NON-AUDIT SERVICES PROVIDED BY AUDITOR

Details of the non-audit services provided by the auditor are set out in Note 26 of the Financial Report. The non-audit services summarised in Note 26 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 6th day of September 2012.

G.W. Burke
Director

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CORPORATE DIRECTORY

RECONCILIATION OF RESULTS

for the year ended 30 June 2012

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		OTHER		TOTAL	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
(i) Reconciliation of results:										
Continuing Operations:										
Earnings before Interest, Tax, Depreciation and Amortisation, excluding material items of income and expense ("EBITDA")	87,364	87,222	51,140	46,384	50,752	50,518	(34,600)	(43,593)	154,656	140,531
Depreciation and amortisation	(33,575)	(31,668)	(13,001)	(12,492)	(2,768)	(6,915)	(2,618)	(3,296)	(51,962)	(54,371)
Finance costs before fair value change on derivatives	(25,795)	(24,939)	(5,130)	(6,382)	(8,075)	(9,916)	(2,159)	(11,354)	(41,159)	(52,591)
Interest income	498	497	1,034	845	1,580	1,792	10,387	10,420	13,499	13,554
Operating profit (loss) before tax and material items of income and expense ("PBT")	28,492	31,112	34,043	28,355	41,489	35,479	(28,990)	(47,823)	75,034	47,123
Income tax (expense) benefit, excluding material items	(8,544)	(9,847)	(9,433)	(6,395)	(12,435)	(11,045)	8,210	11,417	(22,202)	(15,870)
Operating profit (loss) after tax, before material items of income and expense	19,948	21,265	24,610	21,960	29,054	24,434	(20,780)	(36,406)	52,832	31,253
Material items of income and expense before tax	(7,419)	(15,970)	(87)	(8,800)	(808)	801	56	(36,247)	(8,258)	(60,216)
Income tax (expense) benefit – material items	1,401	3,740	26	149	242	(240)	(12,472)	53,403	(10,803)	57,052
Material items of income and expense after tax	(6,018)	(12,230)	(61)	(8,651)	(566)	561	(12,416)	17,156	(19,061)	(3,164)
Total profit (loss) before tax from continuing operations	21,073	15,142	33,956	19,555	40,681	36,280	(28,934)	(84,070)	66,776	(13,093)
Total income tax (expense) benefit from continuing operations	(7,143)	(6,107)	(9,407)	(6,246)	(12,193)	(11,285)	(4,262)	64,820	(33,005)	41,182
Total profit after tax from continuing operations per the statement of comprehensive income	13,930	9,035	24,549	13,309	28,488	24,995	(33,196)	(19,250)	33,771	28,089
Discontinued Operations:										
Attributable profit after tax from discontinued operations									–	157,427
Net profit attributable to the members of Village Roadshow Limited									33,771	185,516
(ii) Material items of income and expense from continuing operations:										
Unrealised mark to market profits (losses) on interest rate and foreign currency derivatives not designated in hedging relationships									(5,508)	1,283
Impairment, write-downs and provisions relating to non-current assets and onerous lease									(2,750)	(24,807)
Equity-accounted losses on net investments									–	(32,332)
Restructuring costs									–	(4,360)
Total loss from material items of income and expense before tax									(8,258)	(60,216)
Income tax (expense) benefit									(10,803)	57,052
Total loss from material items of income and expense after tax									(19,061)	(3,164)
(iii)Earnings Per Share adjusted to eliminate discontinued operations and material items of income and expense from the calculations:										
Basic EPS									34.9c	22.9c
Diluted EPS									34.4c	22.9c
Total EPS									n/a	20.1c

Note: The VRL group results are prepared under Australian Accounting Standards, and also comply with International Financial Reporting Standards ("IFRS"). The Reconciliation of Results includes certain non-IFRS measures including EBITDA and operating profit excluding material items of income and expense and discontinued operations. These measures are used internally by management to assess the performance of the business, make decisions on the allocation of resources and assess operational management. Non-IFRS measures have not been subject to audit or review, however all items used to calculate these non-IFRS measures have been derived from information used in the preparation of the audited or audit-reviewed (as applicable) financial statements.

AUDITOR'S INDEPENDENCE DECLARATION

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8 Exhibition Street
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www.ey.com/au

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 2012, 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

Ernst & Young

RCPiltz

Rodney Piltz
Partner

6 September 2012

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 2012 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 25 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 Directors and KMP 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

<table>
<tr><td>Messrs. Robert Kirby,
John Kirby (to 30 June 2012) and
Graham Burke (VRL CEO)
= VRL Executive Director KMP</td><td rowspan="2">Executive Director KMP</td><td rowspan="3">Executive KMP
= All members of Village Roadshow Limited's Executive Committee</td><td rowspan="4">"Key Management Personnel" of the Village Roadshow Limited Group</td></tr>
<tr><td>Mr. Peter Harvie (to 7 April 2011)</td></tr>
<tr><td>All other non-Director members of Village Roadshow Limited's Executive Committee</td><td>Executive Committee KMP</td></tr>
<tr><td colspan="2">All Non-Executive Directors of Village Roadshow Limited (including Mr. Peter Harvie from 7 April 2011 and Mr. John Kirby from 30 June 2012)</td><td>Non-Executive Director KMP</td></tr>
<tr><td colspan="2">Top 5 Most Highly Remunerated Executives of the Company, Village Roadshow Limited, and of the Village Roadshow consolidated group (not applicable after 30 June 2011)</td><td colspan="2">Drawn from Executive Committee KMP</td></tr>
</table>

(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:

REMUNERATION REPORT (CONTINUED)

A. EXECUTIVE SUMMARY (continued)

1. Categories of Directors and Senior Management (continued)

(b) Executive KMP (continued)

(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, 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 names, positions, dates of appointment, and dates of cessation (if ceasing up to 30 June 2012), of these Executive KMP for the 2012 and 2011 financial periods are as follows:

Name	Title/Position	Appointment	Cessation	Category
Robert G. Kirby	Executive Chairman ^	3 June 2010	–	VRL Executive Director KMP
John R. Kirby	Executive Deputy Chairman # ++	3 June 2010	30 June 2012	VRL Executive Director KMP
Graham W. Burke	Chief Executive Officer #	9 September 1988	–	VRL Executive Director KMP
Peter M. Harvie	Executive Director +	20 June 2000	7 April 2011	Executive Director KMP
Clark J. Kirby	Chief Operating Officer *	15 May 2012	–	Executive Committee KMP
Julie E. Raffe	Finance Director **	15 May 2012	–	Executive Committee KMP
Simon T. Phillipson	General Counsel	13 May 1996	–	Executive Committee KMP
David Kindlen	Chief Information Officer	1 December 2006	–	Executive Committee KMP
Philip S. Leggo	Group Company Secretary	23 February 1993	29 April 2011	Executive Committee KMP
Timothy Carroll	Chief Marketing Officer	6 March 2000	29 April 2011	Executive Committee KMP

Executive Directors since 1988
^ Executive Director since July 2001
+ Ceased as Executive Director on 7 April 2011 and became Non-Executive Director KMP
++ Retired as VRL Executive Director KMP on 30 June 2012 and became Non-Executive Director KMP
* Previously Director Business Development and Strategy and KMP since 1 December 2010
** Previously Chief Financial Officer and KMP since 28 September 1992

(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 2012 and 2011 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. 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.

Following a corporate cost structure review in early 2011, the Company implemented a significant reduction in total remuneration costs of the Executive Director KMP from 1 July 2011. Specifically VRL's CEO, Mr. Graham Burke, received a salary of $2.25 million per annum and an entitlement to a performance bonus capped at a maximum of $1 million per annum. VRL's Executive Chairman, Mr. Robert Kirby, received a salary of $2.25 million per annum, with no performance bonus. VRL's Executive Deputy Chairman, Mr. John Kirby, received a salary of $1.6 million per annum, with no performance bonus. Each Executive Director was also entitled to $50,000 per annum in superannuation and a $100,000 per annum car allowance.

For the year ended 30 June 2012, Mr. Burke's short term incentive ("STI") bonus was $1 million, 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. Both the CFROI and EPS components of the STI bonus have been accrued for 2012 and for the prior year. In relation to the year ended 30 June 2012, the CFROI component amounted to $500,000 (2011: $816,188) and the EPS component amounted to $500,000 (2011: $584,672), as the performance exceeded the thresholds for maximum vesting.

For years prior to 2011 the EPS component of the bonus had not 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.

Executive Committee KMP can also earn STI bonuses which are based on a mix of the same CFROI and EPS metrics together with specific individual Key Performance Indicators ("KPI's") for each Executive Committee KMP. Where those components of the bonus, if any, are due and payable, this has been accrued for and reflected in the tables on pages 16 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

A. EXECUTIVE SUMMARY (continued)

2. Remuneration Outline (continued)

30 June 2011 and 2010 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. Refer table below for the analysis of the 2012 STI bonus components.

Analysis of 2012 STI Bonus Components

Name of 2012 Executive KMP	2012 CFROI accrued	2012 EPS accrued	2011 Personal KPIs paid
G.W. Burke	•	•	n/a
J.E. Raffe	•	•	•
S.T. Phillipson	•	•	•
C.J. Kirby	•	•	•
D. Kindlen	•	•	•

Accordingly the STI amounts for Executive Committee KMP shown in the Remuneration tables on pages 16 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. Accordingly the STI figures in the Remuneration tables for Executive Committee KMP for 2011 are a composite of various bonuses from different years and are not directly comparable to 2012.

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. 507,132 second tranche EPS options vested and 492,868 EPS options lapsed during the year. 1,000,000 first tranche DPS options vested during the year.

Other than an allotment of 100,000, 200,000 and 300,000 shares on 28 June 2012 at $3.14 to Messrs D. Kindlen, S.T. Phillipson and C. J. Kirby respectively under the Company's Executive Share Plan (2011: 350,000 on 29 November 2010 to Ms. J.E. Raffe at $2.35), there have been no long term incentive plan allocations made during the year to any Executive KMP.

The roles of two of the existing Executive Committee KMP changed during the year with Ms. J.E. Raffe being promoted from Chief Financial Officer to Finance Director and Mr. C.J. Kirby being elevated to Chief Operating Officer from Director Business Development and Strategy. Both appointments were effective from 15 May 2012.

In addition, Mr. J.R. Kirby retired as Executive Deputy Chairman with effect from 30 June 2012, ceasing as a VRL Executive Director KMP and as an Executive Committee member from that date. Mr. Kirby was paid out his statutory entitlements and one year's remuneration as a termination payment as set out in the table on page 16. Mr. J.R. Kirby remains Deputy Chairman and from 1 July 2012 will be re-categorised as a Non-Executive Director KMP.

The detailed compensation arrangements of all KMP for the years ended 30 June 2012 and 30 June 2011 are set out in the tables on pages 16 to 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 2012

NAME	POSITION from / to (positions do not necessarily co-incide with employment commencement dates)	YEAR	NOTE	SHORT TERM BENEFITS Salary & Fees	Cash Bonus S.T.I.	Non-monetary Benefits	Other	POST EMPLOYMENT Super-annuation	Retirement Benefits	LONG TERM BENEFITS Incentive Plans	Long Service Leave accrual	TERMIN-ATION PAYMENT	L.T.I. SHARE-BASED PAYMENT	TOTAL	TOTAL % PERFORM-ANCE RELATED PAY
Directors															
Robert G. Kirby	Executive Chairman	2012	4	2,348,062	–	80,529	3,876	50,000	–	–	89,706	–	–	2,572,173	–
	since 03/06/2010	%		91.29	–	3.13	0.15	1.94	–	–	3.49	–	–	100.00	
John R. Kirby	Deputy Chairman	2012	1	1,700,000	–	65,797	–	50,000	1,750,000	–	–	–	–	3,565,797	–
	since 03/06/2010	%		47.68	–	1.85	–	1.40	49.08	–	–	–	–	100.00	
Graham W. Burke	Chief Executive Officer	2012	2,6	2,350,000	1,000,000	202,103	–	50,000	–	–	105,324	–	206,439	3,913,866	30.82%
	since 09/09/1988	%		60.04	25.55	5.16	–	1.28	–	–	2.69	–	5.27	100.00	
Executive Director KMP Subtotals				6,398,062	1,000,000	348,429	3,876	150,000	1,750,000	–	195,030	–	206,439	10,051,836	
Peter D. Jonson	Independent Director	2012		106,651	–	–	38,747	9,599	–	–	–	–	–	154,997	–
	since 24/01/2001	%	8	68.81	–	–	25.00	6.19	–	–	–	–	–	100.00	
D. Barry Reardon	Independent Director	2012		130,000	–	4,132	–	–	–	–	–	–	–	134,132	–
	since 24/03/1999	%		96.92	–	3.08	–	–	–	–	–	–	–	100.00	
Peter M. Harvie	Non Executive Director	2012	5	80,000	–	1,197	–	–	–	6,575	–	–	–	87,772	7.49%
	since 07/04/2011	%		91.15	–	1.36	–	–	–	7.49	–	–	–	100.00	
David J. Evans	Independent Director	2012	8	60,000	–	1,197	59,998	–	–	–	–	–	–	121,195	–
	since 02/01/2007	%		49.51	–	0.99	49.51	–	–	–	–	–	–	100.00	
Robert Le Tet	Independent Director	2012	8	-	–	1,197	119,996	–	–	–	–	–	–	121,193	–
	since 02/04/2007	%		-	–	0.99	99.01	–	–	–	–	–	–	100.00	
Timothy M. Antonie	Independent Director	2012	8	82,569	–	34,468	29,996	7,431	–	–	–	–	–	154,464	–
	since 01/12/2010	%		53.46	–	22.31	19.42	4.81	–	–	–	–	–	100.00	
Non-Executive Director KMP Subtotals				459,220	–	42,191	248,737	17,030	–	6,575	–	–	–	773,753	
Director Subtotals				6,857,282	1,000,000	390,620	252,613	167,030	1,750,000	6,575	195,030	–	206,439	10,825,589	
Executives															
Julie E. Raffe	Finance Director	2012	3,4,7	554,369	527,056	46,128	5,830	50,000	–	–	43,994	–	81,313	1,308,690	46.49%
	since 15/05/2012	%		42.36	40.27	3.52	0.45	3.82	–	–	3.36	–	6.21	100.00	
Simon T. Phillipson	General Counsel	2012	3,4,7	503,721	506,346	1,197	3,568	50,000	–	–	7,335	–	4,537	1,076,704	47.45%
	since 13/05/1996	%		46.78	47.03	0.11	0.33	4.64	–	–	0.68	–	0.42	100.00	
Clark J. Kirby	Chief Operating Officer	2012	3,4,7	448,497	386,470	1,197	396	25,000	–	–	–	–	339	861,899	44.88%
	since 15/05/2012	%		52.04	44.84	0.14	0.05	2.90	–	–	–	–	0.04	100.00	
David Kindlen	Chief Information Officer	2012	3,4,7	212,925	212,052	1,197	3,212	50,000	–	–	5,706	–	3,346	488,438	44.10%
	since 01/12/2006	%		43.59	43.41	0.25	0.66	10.24	–	–	1.17	–	0.69	100.00	
Executive Committee KMP Subtotals				1,719,512	1,631,924	49,719	13,006	175,000	–	–	57,035	–	89,535	3,735,731	
Total for Key Management Personnel for 2012				8,576,794	2,631,924	440,339	265,619	342,030	1,750,000	6,575	252,065	–	295,974	14,561,320	

1. Retired as Executive Director from 30 June 2012, now Non-executive Deputy Chairman. Includes employment termination payment of $1,750,000, but excludes payment of long service leave of $1,012,810, which increases the total amount shown above from $3,565,797 to $4,578,607 for the year ended 30 June 2012.
2. Includes amortised value of share based payment from grant of six million options over ordinary shares on 18 July 2008.
3. Includes amortised value of share based payment under the Executive Share Plan.
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 Company's legacy option plan not otherwise amortised as a share based payment.
6. Includes CFROI and EPS STI bonus accruals for 2012.
7. Includes CFROI and EPS STI bonus accruals for 2012 and paid personal performance STI bonus payment for 2011.
8. Includes value of shares issued under the Directors' Share Plan.

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	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 PAYMENT	L.T.I. SHARE-BASED PAYMENT	TOTAL	TOTAL % PERFORM-ANCE RELATED PAY
Directors				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				
Robert G. Kirby	Executive Chairman since 03/06/2010	2011 %	4, 7	1,921,497 42.42	1,400,860 FY'11 972,075 FY'10 2,372,935 52.38	141,242 3.12	3,804 0.08	50,000 1.10	– –	– –	40,536 0.89	– –	– –	4,530,014 100.00	52.38%
John R. Kirby	Executive Deputy Chairman since 03/06/2010	2011 %	7	1,923,399 43.07	1,400,860 FY'11 972,075 FY'10 2,372,935 53.14	53,999 1.21	– –	50,000 1.12	– –	– –	65,254 1.46	– –	– –	4,465,587 100.00	53.14%
Graham W. Burke	Managing Director since 09/09/1988	2011 %	3, 7	1,923,399 37.93	1,400,860 FY'11 972,075 FY'10 2,372,935 46.79	320,014 6.31	– –	50,000 0.99	– –	– –	43,279 0.85	– –	361,803 7.13	5,071,430 100.00	53.92%
VRL Executive Director KMP Subtotals				5,768,295	7,118,805	515,255	3,804	150,000	–	–	149,069	–	361,803	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	– –	59,373 3.01	15,762 0.80	– –	– –	1,970,600 100.00	3.01%
Executive Director KMP Subtotals				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	–
Non-Executive Director KMP Subtotals				481,509	–	–	77,183	44,636	–	–	–	–	–	603,328	
Director Subtotals				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 18

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		TERMIN-ATION PAYMENT	L.T.I. SHARE-BASED PAYMENT	TOTAL	TOTAL % PERFORM-ANCE RELATED PAY
Executives				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	155,000 FY'11 650,000 FY'10 805,000	20,033	2,155	20,833	570,000	9,659	–	221,925	17,285	2,099,589	39.62%
		%		20.61	38.34	0.95	0.10	0.99	27.15	0.46	–	10.57	0.82	100.00	
Philip S. Leggo	Group Company Secretary from 23/02/1993 to 29/04/2011	2011	1,4,6	356,057	– FY'11 275,800 FY'10 275,800	130,132	2,493	49,426	902,000	–	–	322,614	8,643	2,047,165	13.89%
		%		17.39	13.47	6.36	0.12	2.41	44.06	–	–	15.76	0.42	100.00	
Julie E. Raffe	Chief Financial Officer since 28/09/1992	2011	1,4,7	543,226	198,830 FY'11 424,400 FY'10 623,230	73,929	6,451	25,000	–	–	27,246	–	80,124	1,379,206	51.00%
		%		39.39	45.19	5.36	0.47	1.81	–	–	1.98	–	5.81	100.00	
Simon T. Phillipson	General Counsel since 13/05/1996	2011	1,4,7	512,582	184,652 FY'11 361,372 FY'10 546,024	1,182	3,268	25,000	–	–	12,336	–	12,740	1,113,132	50.20%
		%		46.05	49.05	0.11	0.29	2.25	–	–	1.11	–	1.14	100.00	
David Kindlen	Chief Information Officer since 01/12/2006	2011	1,4,7	215,798	74,232 FY'11 137,796 FY'10 212,028	1,182	2,857	50,000	–	–	5,417	–	9,555	496,837	44.60%
		%		43.43	42.68	0.24	0.58	10.06	–	–	1.09	–	1.92	100.00	
Top 5 Company Executives Subtotals				2,060,362	2,462,082	226,458	17,224	170,259	1,472,000	9,659	44,999	544,539	128,347	7,135,929	
Clark J. Kirby	Director, Business Development since 01/12/2010 (as KMP)	2011	4	226,690	158,615 FY'11 – FY'10 158,615	–	207	14,939	–	–	–	–	–	400,451	39.61%
		%		56.61	39.61	–	0.05	3.73	–	–	–	–	–	100.00	
Executive Committee KMP Subtotals				2,287,052	2,620,697	226,458	17,431	185,198	1,472,000	9,659	44,999	544,539	128,347	7,536,380	
Total for Key Management Personnel for 2011				9,153,046	9,739,502	751,112	1,332,900	415,228	1,472,000	69,032	209,830	544,539	490,150	24,177,339	

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 CFROI 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.

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 Committee KMP and the VRL CEO 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 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 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 page 27.

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 were paid directly by Austereo. Aggregate payments to Non-Executive Director KMP have never exceeded the total pool approved by shareholders. With an increase in the number of board committees and Non-Executive Director KMP in the past 14 years, the Company is proposing to seek shareholder approval to increase the size of this annual fee pool to $1.3 million.

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 affliate 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 for his services on various Village Roadshow Entertainment Group Limited 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.

The Directors' Share Plan ("DSP"), effective from 1 January 2011, enables Non-Executive Director KMP to 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 for 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 following table.

REMUNERATION REPORT (CONTINUED)

C. NON-EXECUTIVE DIRECTOR KMP REMUNERATION (continued)

2. Structure (continued)

Name	Allotment Date	No. shares	Issue Price
P.D. Jonson	8 September 2011 8 December 2011 8 March 2012 8 June 2012	3,229 3,207 3,125 3,085	$3.00 $3.02 $3.10 $3.14
T.M. Antonie	8 September 2011 8 December 2011 8 March 2012 8 June 2012	2,500 2,483 2,419 2,388	$3.00 $3.02 $3.10 $3.14
D.J. Evans	8 September 2011 8 December 2011	10,000 9,933	$3.00 $3.02
R. Le Tet	8 September 2011 8 December 2011 8 March 2012 8 June 2012	10,000 9,933 9,677 9,554	$3.00 $3.02 $3.10 $3.14

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 2012 and 30 June 2011 are detailed on pages 16 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 2012 and 2011 are detailed on page 14 of this Report.

1. Objective

The Company aims to reward the VRL CEO 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 VRL CEO 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 VRL 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, for the VRL CEO and Executive Committee KMP only, also includes the following:

- Variable Compensation:
  - Short Term Incentive Bonus ("STI"); and
  - Long Term Incentive ("LTI").

In 2011 the Company undertook, following a corporate cost structure review, a significant reduction of approximately $3 million in total remuneration costs of the VRL Executive Director KMP, effective from 1 July 2011. In addition from 1 July 2012, following the retirement of Mr. J.R. Kirby as VRL Executive Director KMP, further reductions in Executive KMP remuneration will be realised.

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 16 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 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, where applicable, 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 2012 and 30 June 2011 is detailed on pages 16 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 VRL CEO and the Executive Committee KMP charged with meeting those targets, as well as relevant personalised individual targets for Executive Committee KMP. The total potential STI bonus available is set at a level so as to provide incentive to the Executive Committee 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 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 Executive Committee KMP's STI is a blend of financial KPIs applicable to the Group together with personal KPI's based on the relevant responsibilities of each role, whereas the VRL CEO's STI bonus is based solely on CFROI and EPS financial KPI's.

(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 the VRL CEO and to each 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 Group as a whole. These performance criteria include EPS growth benchmarks and minimum CFROI targets.

The CFROI performance component used relates to earnings before interest, tax, depreciation and amortisation, excluding material items of income and expense and discontinued operations ("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 ratio from year to year and are on a sliding scale between 10% and 20%

D. EXECUTIVE KMP COMPENSATION (continued)

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

(b) Structure (continued)

with nil bonus for a CFROI achieved in any year of less than 10% 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 those relevant 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 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.

From the 2012 financial year the VRL CEO is eligible to earn up to $1 million in the form of an annual bonus. 50% of the bonus is based on CFROI and 50% is based on EPS growth relative to the top 300 stocks listed on the ASX. For the year ended 30 June 2012 the CFROI bonus component amounted to $500,000 and the EPS bonus component amounted to $500,000 and, being due and payable, have been accrued for at 30 June 2012. The CFROI hurdle rates achieved were at 100% of the maximum hurdle rate for the 2012 financial year (2011: 86.5%) and the EPS bonus component for the 2012 financial year amounted to 100% of the maximum hurdle rate (2011: 61.9%).

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.

Only the components of STI bonus payments that can be accurately determined are accrued at balance date – remaining components of STI bonus payments, such as those related to personal performance criteria for Executive Committee KMP, are calculated and accrued between balance date and 31 December each calendar year.

For the 2011 year the STI bonus amounts shown in the Remuneration tables include both CFROI and EPS components for the 2011 year for the 3 VRL Executive Director KMP, as well as the EPS performance component and the personal performance components in the prior 2010 year. Accordingly the STI figures for 2012 and 2011 in the Remuneration tables detailed on pages 16 to 18 of this Report are a composite of various years' bonus components and are not directly comparable.

Both the CFROI and EPS components for Executive Committee KMP for the 2012 year, being due and payable, have been accrued for at 30 June 2012, however their 2012 STI bonus disclosure includes their personal performance bonus components for the 2011 financial 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 2011 year, the purchase price and on-costs of which are reflected in the Remuneration table for 2011 detailed on page 17 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 the VRL CEO and for Executive Committee KMP, are approved by the Company's Remuneration Committee.

Refer to the table on page 15 of this Report for an analysis of the 2012 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.

The STI bonus arrangements for the Executive KMP for the year ended 30 June 2012 are set out as follows:

Name	Title	Maximum STI	Methodology
Robert G. Kirby	Executive Chairman	nil	
John R. Kirby	Executive Deputy Chairman #	nil	
Graham W. Burke	Chief Executive Officer	$1,000,000	50% based on CFROI, 50% based on increase in EPS compared to ASX 300 performance
Julie E. Raffe	Finance Director *	100% base salary	50% based on individual KPI's, 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 KPI's, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
Clark J. Kirby	Chief Operating Officer ^	100% base salary	50% based on individual KPI's, 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 KPI's, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance

On 30 June 2012 Mr. J.R. Kirby retired and ceased as Executive Director KMP
* Formerly Chief Financial Officer to 15 May 2012
^ Formerly Director Business Development and Strategy to 15 May 2012

The STI bonus payments made to each of the Executive Director KMP and the Executive Committee KMP in the periods ending 30 June 2012 and 30 June 2011 and the relative proportions of such STI incentive remuneration are detailed on pages 16 to 18 of this Report.

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 2012 and 2011 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 2011; 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. One of these loans, over 42,900 shares, was repaid from dividends during the year.

D. EXECUTIVE KMP COMPENSATION (continued)

5. Variable Remuneration – Long Term Incentive ("LTI") (continued)

(a) Objective (continued)

At 30 June 2012 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 25 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 Committee 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 achievement of 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 25 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 of default. 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, 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 in the Company's Annual Report.

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 16 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 in 2012 with amounts shown under the Incentive Plan column is Mr. P.M. Harvie for the legacy equity-linked performance plan in which Mr. Harvie is the sole remaining participant, and in 2011 is 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 25 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 ESP was amended in 2012. Shares issued prior to 2012 vest (become unrestricted) 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. For shares issued in 2012 and thereafter, one third vest in years 3, 4 and 5 from the date of issue and the loan bears interest at twenty cents per share per annum and the first twenty cents of dividends per share per year is used to repay the interest charged and 50% of the remaining dividend per share is used to repay the capital amount of the loan. For shares issued in 2012 or thereafter, where the loan balance owing falls below $2.00 per share, the interest rate becomes 10% of the balance owing on the loan.

If the Executive Committee KMP resigns or is dismissed, the restricted and unvested 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 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 an allotment of 100,000, 200,000 and 300,000 shares on 28 June 2012 at $3.14 to Messrs D. Kindlen, S.T. Phillipson and C. J. Kirby respectively under the Company's Executive Share Plan (2011: 350,000 on 29 November 2010 to Ms. J.E. Raffe at $2.35), there have been no long term incentive plan allocations made during the year to any Executive Committee KMP.

The fair value of each 'in substance option' estimated at date of grant on 28 June 2012 was $0.79. The notional adjusted equity value of the allotment and the percentage of each Executive Committee KMP's total remuneration are detailed on page 16 of this Report.

D. EXECUTIVE KMP COMPENSATION (continued)

5. Variable Remuneration – Long Term Incentive ("LTI") (continued)

(b) Structure (continued)

(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 in 2011. 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 2011 financial year.

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 2011 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.

The options are not transferable and do not confer any right to participate in bonus issues or cash issues of ordinary shares. The option exercise price is adjusted for discounted cash issues, and the number of shares issued on exercise of an option is adjusted for bonus issues of shares. The options do not carry voting or dividend rights and are not listed for quotation on ASX.

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

507,132 second tranche EPS options (2011: 742,904 first tranche EPS options) vested and 492,868 EPS options lapsed during the year (2011: 257,096). The value of the lapsed options as at the date of lapsing was $133,074 (2011: $63,524). Although the first tranche DPS options did not meet the minimum CAGR hurdle to vest in 2011, the DPS hurdle was retested in 2012 following the clarification of the option terms approved at the General Meeting of shareholders on 29 June 2011 resulting in 1,000,000 DPS options vesting in 2012. The second tranche DPS options did not meet the minimum CAGR hurdle to vest in 2012 and are similarly subject to retesting in 2013.

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 in June 2012 to Messrs. D. Kindlen, S.T. Phillipson and C.J. Kirby 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 25 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 25 of the Financial Report. During the 2012 and 2011 financial years, 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 25 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 16 to 18 of this Report.

REMUNERATION REPORT (CONTINUED)

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. G.W. Burke is the only Executive Director KMP with a service contract. Mr. 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 car allowance, 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.

2. Executive Committee KMP

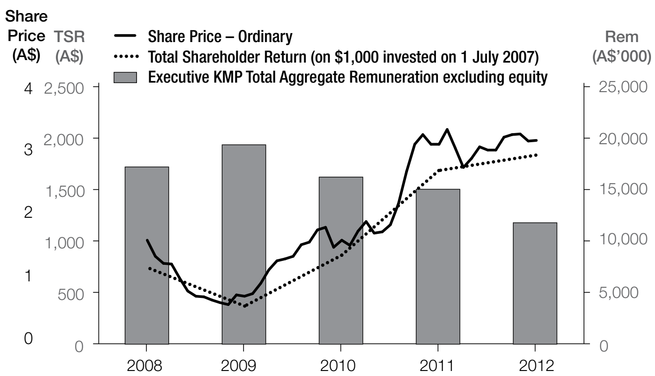
Mr. S.T. Phillipson and Ms. J.E. Raffe have ongoing employment agreements and Messrs. D. Kindlen and C.J. Kirby have similar contracts from 1 July 2012. In addition to base salary and superannuation, and a Company motor vehicle provided to Ms. Raffe and a car allowance to Mr. C.J. Kirby, all Executive Committee KMP are eligible to be paid an annual performance bonus. All Executive Committee KMP have STI performance bonus arrangements similar to VRL's CEO based on CFROI and EPS metrics, as well as a discretionary performance bonus based on annually set personal performance criteria.

Payment for termination without cause under these employment contracts for Executive Committee KMP 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 KMP 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 and Ordinary share price month end closing price history – IRESS

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 2007 and demonstrates the impact on shareholders of investing in ordinary shares over that five year time frame. The VRL share price performance, dividends and capital returns to shareholders have had a positive impact on TSR over the last few years.

Overlaid on the TSR and share price data is the total aggregate annual remuneration, including bonuses, of the VRL Executive Director KMP and 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 of departing relevant Executive KMP. This total aggregate annual remuneration on the same basis has also been shown for comparative purposes for each of the four preceding years for all VRL Executive Director KMP and Executive Committee KMP in that year.

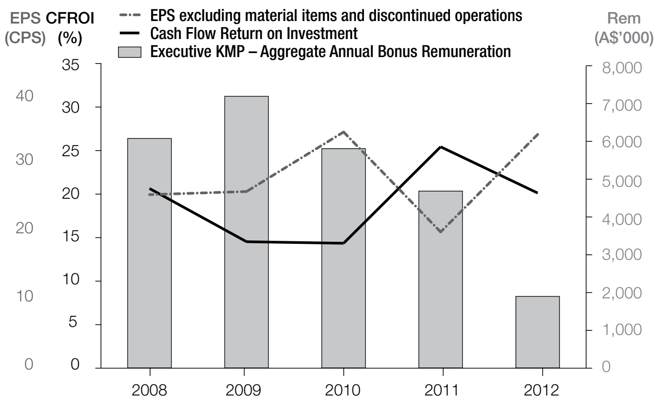
It is noted that the movement in total remuneration has been impacted by the changing size and composition of the pool of relevant Executive KMP over that five year period, and that a freeze on Executive KMP base remuneration was in place from 2008 to 2010. In the 2012 financial year there were 7 Executive KMP in total compared to 11 relevant Executive KMP in 2008 and 2009, as the Company has reduced the number of senior executives over this period.

The changes to the Company's corporate cost structure and to VRL Executive Director KMP remuneration in 2011 and 2012 referred to on pages 14 and 15 of this Report, are reflected in the chart above. With Mr. J.R. Kirby's retirement as Executive KMP on 30 June 2012, the number of Executive KMP in the 2013 financial year is expected to be 6.

Overlaid on the above chart is the share price movement of the Company's ordinary shares over the five years to 30 June 2012, historically adjusted downwards for the $1.00 return of capital in 2011. The robust improvement in the Company's share price over this five year period is clearly evident from the chart above, even discounted for the $1.00 return of capital.

The above chart shows that aggregate relevant Executive KMP remuneration has decreased significantly over recent years whilst the Company's share price performance and TSR have significantly improved.

The structure of the LTI variable remuneration of Executive KMP is set out in section D5 of this report, and notes that any value accruing under such LTI plans is derived from improvement in the Company's share price, as is reflected in the above chart, so that Executive KMP with LTI equity grants only derive personal value when the Company's shareholders do.



The STI bonus amounts for relevant Executive KMP members shown in the above chart represent the amounts accrued for the year to which the payment relates. The chart reflects the total aggregate annual STI bonus remuneration of the VRL Executive Director KMP and Executive Committee KMP for the 2012 financial year and each of the four preceding years for KPI's that are directly linked to the financial performance of the Company. The STI bonus amounts shown in the chart above have been normalised where applicable to exclude STI bonus amounts for the achievement of individual, personal KPI's of relevant Executive KMP, so that the STI bonus payments reflected in the chart are those elements that relate to Company performance measures for the relevant year.

The calculation of annual bonuses shown for the relevant Executive KMP is divided into two components; one is driven by Cash Flow Return on Investment ("CFROI") and the other is determined by Earnings Per Share ("EPS") performance. The two components together derive the STI bonus amounts for the VRL Executive Director KMP and Executive Committee KMP over the five year period.

For the purposes of calculating the above STI bonuses, 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.

F. COMPANY PERFORMANCE (continued)

Bonuses are calculated based on the ratio from year to year and are on a sliding scale between 10% and 20%.

The chart also shows the solid performance of the Company measured in EPS, shown in cents per share, over the same five year period – this is the 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.

In the 2011 year the Company disposed of its Radio and Attractions divisions and the earnings of those divisions have been excluded from the EPS calculations in that year. It should also be noted that, up until the year ended 30 June 2011, the EPS figure used in the above graph is total EPS, which was calculated based on the ordinary and preference shares on issue. For the year ended 30 June 2012, as a result of the remaining preference shares being converted to ordinary shares in the 2011 financial year, the EPS used is calculated based on ordinary shares only.

Further details on the structure of the STI bonus arrangements are set out in section D4 of this report.

The reduction in the quantum of STI bonus payments over recent years is mostly attributable to the changing size and composition of the membership of the Executive Committee and, from the 2012 financial year, to cessation of bonus entitlements for the Executive Chairman and Executive Deputy Chairman and the capping of the CEO's STI bonus.

The above chart demonstrates the solid financial performance of the Company on both CFROI and EPS measures over the current year and the previous four years, whilst over the same period the aggregate STI bonus remuneration paid to the relevant Executive KMP based on the EPS and CFROI metrics has been substantially curtailed.

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 reflect the alignment of the interests of the relevant 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 Limited ("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 developed by the CEO and management and monitoring the implementation of that strategy;
- Reviewing and ratifying the risk management and internal control framework, codes of conduct and legal and other internal compliance programs;
- Approval and monitoring of significant capital expenditure, acquisitions and divestitures in excess of A$10 million;
- Ensuring that management is appropriately and adequately resourced and monitoring and reviewing the performance of management;
- Approval of dividends, dividend policy and any other capital management initiatives developed by management involving returns to shareholders;
- 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. In addition the Company has an Executive Committee comprised of senior management including the Company's Executive Directors. 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, Non-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;

  Non-executive Director: one who is not in full time employment with the Company but may derive a small proportion of their income (excluding Directors' Fees) directly or indirectly from the Company by management or consultancy services;

  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 from the Company (excluding Directors' Fees) 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 Non-executive and Independent Directors are held to discuss matters of mutual interest when necessary.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS – COMPOSITION AND MEMBERSHIP (continued)

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

Name	Role	Appointed	Classification
Robert G. Kirby	Chair	July 2001	Shareholder, Executive
John R. Kirby #	Deputy Chair	August 1988	Shareholder, Executive #
Graham W. Burke	Chief Executive Officer	September 1988	Shareholder, Executive
Peter M. Harvie ^	Non-executive Director	June 2000	Non-executive ^
D. Barry Reardon	Non-executive Director	March 1999	Independent
Peter D. Jonson	Non-executive Director	January 2001	Independent *
David J. Evans	Non-executive Director	January 2007	Independent
Robert Le Tet	Non-executive Director	April 2007	Independent
Timothy M. Antonie	Non-executive Director	December 2010	Independent

* Appointed Lead Independent Director in November 2008.
\# Resigned as Executive Director on 30 June 2012 and became Non-executive Deputy Chair.
^ Executive Director from June 2000 to April 2011.

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 sets out the procedures to be followed regarding:

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

Membership of the Board is the exclusive responsibility of the full Board of Directors, subject to the approval of the Company's shareholders in general meeting, based on recommendations from the Nomination Committee and the desired skill sets for potential directors as recommended by the Corporate Governance 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. All Directors have 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 Management Risk 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.

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

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

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 three times per year and, in addition to verbal reports by the Committee Chair to the Board, the minutes of the Committee are provided to all Directors of the Company. 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.

The Committee invites the audit partner to its meetings and senior Company executives as required. In addition the Committee meets 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 based on the assessment methodology recommendations of the Corporate Governance Committee.

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

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.

NOMINATION COMMITTEE (continued)

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 2012, the Directors consider that an appropriate review and adequate evaluation of Directors and of Committees has been carried out.

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 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 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.

The Chief Executive Officer 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	Role	Appointed
Peter D. Jonson	Chair, Independent Director	July 2007
D. Barry Reardon	Independent Director	August 1999
Timothy M. Antonie	Independent Director	December 2010

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.

From 1 July 2012 Non-executive Directors fees were increased to $100,000 per annum, the first increase since 2007. The fee pool of $800,000 was set by shareholders in 1998 and it is proposed to seek shareholder approval to increase this fee pool to $1.3 million per annum at the Company's 2012 annual general meeting.

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.

CORPORATE GOVERNANCE COMMITTEE

During the year the Company introduced a Corporate Governance Committee comprised of 3 Independent Non-executive Directors, the Chair of which may not be the Chairman of the Board or of the Audit & Risk Committee.

In accordance with its charter, adopted in June 2012, the Committee's primary role and purpose is to provide oversight on behalf of the Board to ensure the Company and the VRL group of companies have appropriate governance structures and procedures in place whilst noting that all members of the Board have collective accountability for the good governance of the Company and the Group.

The Committee's objectives include the review of the Company's existing corporate governance framework and recommending any desired changes to:

- Promote an environment within the Company and the Group where good governance continues to be part of the fabric and culture of the Group;
- Promote consistency with the ASX Corporate Governance Council Principles where appropriate to the circumstances of the Company and to explain any departures from these ASX Principles;
- Monitor and promote effective communication with shareholders and other stakeholders including the operation of the Company's Continuous Disclosure Policy;
- Ensure that shareholders' rights are respected and protected;
- Ensure the various policies, practices and procedures are consistent with the Company's core values;
- Review and report to the Board on appropriate protocols and processes for decision making by the Board, and ensuring the Board considers material investments, acquisitions or divestitures and in particular the practices and procedures for dealing with any real or perceived conflict of interest;
- Ensure the appropriate delegation of authorities are in place to support sound decision making processes that complement the Company's mission statement; and
- Provide a forum for the Company to consider and address as required any emerging governance trends or legislative changes in a timely manner.

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

Name	Role	Appointed
David J. Evans	Chair, Independent Director	May 2012
Peter D. Jonson	Independent Director	May 2012
Timothy M. Antonie	Independent Director	May 2012

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, Corporate Governance Committee, Nomination Committee and Remuneration Committee.

The key functions and responsibilities of this Executive Committee include:

- Development of the strategic plan which encompasses the Company's vision, mission and strategy statements and stakeholders' needs;
- Implementation of operating plans and budgets by management and monitoring progress against budget as well as monitoring all significant areas of the business;
- Approval and monitoring of capital expenditure, capital management, acquisitions and divestitures, and approval of contracts up to A$10 million;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

EXECUTIVE COMMITTEE (continued)

- 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, banking mandates, covenant compliance, and gearing;
- External communication with the investment community and external stakeholders;
- 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 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 upon the recommendation of the Company's Corporate Governance Committee.

The Committee shall comprise all Executive Directors of the Company and specified corporate management nominated by the CEO from time to time. All members of the Executive Committee are the Company's specified Key Management Personnel for the purposes of the Corporations Act definition. The Committee meets at frequent intervals and informally on an as required basis.

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

Name	Title	Notes
Graham W. Burke	Chief Executive Officer	Chair
Robert G. Kirby	Executive Chairman	
John R. Kirby	Executive Deputy Chairman	Retired as Executive Director on 30 June 2012
Julie E. Raffe	Finance Director	Formerly Chief Financial Officer to 15 May 2012
Simon T. Phillipson	General Counsel	
David Kindlen	Chief Information Officer	
Clark J. Kirby	Chief Operating Officer	Formerly Director Business Development & Strategy to 15 May 2012

SHAREHOLDER MEETINGS AND COMMUNICATION

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

- The convening of meetings;
- The form and requirements of the notice of meeting;
- 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.

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 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. Where presentations to investors or analysts occur, either as a group or in one-on-one briefings, the presentation is uploaded to the corporate website. In addition where there is any material referred to in the presentation that has not been previously made available to the market, the presentation is released through the ASX prior to the commencement of the presentation. A summary of those present at such meetings and the time and date of such meetings are recorded by the Company together with a reference to the relevant presentation.

The Company is supportive of developments by the share registry industry to facilitate the option of electronic communication with shareholders, including via email, 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.

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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.

Whilst informal work place flexibility practices have been operating within the Company for many years, to ensure consistency and fairness in application the Company undertook a flexible work practices survey during the year with the aim of determining the extent to which the Company is meeting the needs of its diverse workforce and to ascertain the scope for change where possible. The voluntary, anonymous, online survey was well received by employees with over 35% responding. The results will inform discussion and decisions about flexible workplace policies and practices and assist in identifying areas where the Company could improve.

At June 2012 the proportion of women employed across the Village Roadshow group was 57% (2011: 56%) with the Company's senior management comprising 23% females (2011: 23%). 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% by the end of 2016 and to 33% 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").

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 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. 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 ('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, reputational, compliance and financial risks of each of the Company's strategic business units. The 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, including 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 Management 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, are reported directly to the Audit & Risk Committee. In addition independent external projects are conducted by specialist contractors reviewing and making recommendations for improvement on specific areas on a regular basis in key businesses within the Company.

The Company's Management Risk 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 Management Risk 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 Management Risk 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RISK MANAGEMENT (continued)

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:

Shaun L. Driscoll (Chair)
Simon T. Phillipson (Deputy Chairman)
Peter A. Harris
Bryce D. Wolfe
Julie E. Raffe (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 it's 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.

COMPLIANCE WITH ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

In order to assist readers to follow where the various ASX Recommendations are referenced in this annual report, a convenient reconciliation of the ASX Recommendations against the Company's corporate governance practices – with specific heading and page references – is available on the Company's website in the Corporate Governance section.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	CONSOLIDATED 2012 $'000	2011 $'000
Continuing operations			
Income			
Revenues	(2(a))	905,278	903,854
Other income	(2(b))	21,899	22,000
Expenses excluding finance costs	(2(d))	(819,475)	(851,585)
Finance costs	(2(e))	(46,692)	(51,227)
Share of profits (losses) of associates and jointly controlled entities	(2(c))	5,766	(36,135)
Profit (loss) from continuing operations before income tax expense		66,776	(13,093)
Income tax (expense) benefit	(4)	(33,005)	41,182
Profit after tax from continuing operations		33,771	28,089
Discontinued operations			
Profit after tax	(30)	–	176,183
Net profit for the period		33,771	204,272
Profit for the period is attributable to:			
Non-controlling interest (discontinued operations)	(30)	–	18,756
Owners of the parent		33,771	185,516
		33,771	204,272
Other comprehensive income (expense)			
Cash flow hedges	(20)	1,302	(1,188)
Foreign currency translation	(20)	(325)	(15,686)
Other comprehensive income (expense) for the period after tax		977	(16,874)
Total comprehensive income for the period		34,748	187,398
Total comprehensive income for the period is attributable to:			
Non-controlling interest		–	18,977
Owners of the parent		34,748	168,421
		34,748	187,398
Earnings per share (cents per share)			
For profit for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic earnings per share	(3)	22.3 cents	135.9 cents
Diluted earnings per share	(3)	22.0 cents	135.9 cents
For profit from continuing operations for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic earnings per share	(3)	22.3 cents	20.6 cents
Diluted earnings per share	(3)	22.0 cents	20.6 cents

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	CONSOLIDATED 2012 $'000	2011 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	(6(a))	193,574	431,670
Trade and other receivables	(7)	116,198	98,862
Inventories	(8)	15,143	18,365
Current tax assets		3,991	–
Film distribution royalties	(10(b))	35,955	27,214
Derivatives	(32(e))	–	2
Other	(10(a))	5,611	5,975
Total current assets		370,472	582,088
Non-Current Assets			
Trade and other receivables	(7)	12,645	10,148
Goodwill and other intangible assets:	(9)	293,095	290,375
Investments in associates and jointly controlled entities	(11)	21,119	16,126
Available-for-sale investments	(12)	2,997	302
Property, plant & equipment	(14)	537,178	521,024
Deferred tax assets	(4(c))	2,814	2,663
Film distribution royalties	(10(b))	90,484	47,169
Other	(10(a))	1,964	2,209
Total non-current assets		962,296	890,016
Total assets		1,332,768	1,472,104
LIABILITIES			
Current Liabilities			
Trade and other payables	(15)	179,080	150,450
Interest bearing loans and borrowings	(16)	35,001	46,261
Income tax payable		1,192	52,968
Provisions	(17)	29,463	28,219
Derivatives	(32(e))	3,563	2,863
Other	(18)	33,015	26,956
Total current liabilities		281,314	307,717
Non-Current Liabilities			
Trade and other payables	(15)	62,395	30,504
Interest bearing loans and borrowings	(16)	412,543	438,923
Deferred tax liabilities	(4(c))	39,675	14,324
Provisions	(17)	9,670	11,861
Derivatives	(32(e))	4,360	1,414
Other	(18)	–	644
Total non-current liabilities		528,643	497,670
Total liabilities		809,957	805,387
Net assets		522,811	666,717
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	(19)	222,853	250,409
Reserves	(20)	83,972	82,624
Retained earnings	(20)	215,986	333,684
Total equity		522,811	666,717

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 2012

		CONSOLIDATED	
	Notes	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		992,771	1,280,220
Payments to suppliers and employees		(846,492)	(1,072,981)
Dividends and distributions received		–	5,144
Interest and other items of similar nature received		16,972	13,834
Finance costs		(34,730)	(61,039)
Income taxes paid[2]		(2,615)	(15,367)
Net cash flows from (used in) operating activities	(6(b))	125,906	149,811
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant, equipment		(60,843)	(77,797)
Purchases of software and other intangibles		(7,527)	(1,066)
Proceeds from sale of property, plant & equipment		1,595	1,142
Purchase of equity investments		(4,553)	(9,780)
Proceeds on sale of equity investments[1]		–	554,923
Tax on disposal of investments[2]		(62,121)	–
Loans to (or repaid to) other entities		(23,626)	(5,363)
Loans from (or repaid by) other entities		17,640	34,755
Net cash flows from (used in) investing activities		(139,435)	496,814
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,641	161,300
Proceeds from issues of shares		249	–
Repayment of borrowings[3]		(46,914)	(387,777)
Dividends and distributions paid		(151,469)	(47,800)
Capital reduction / buyback of shares		(30,292)	(41,372)
Net cash flows from (used in) financing activities		(224,785)	(315,649)
Net increase (decrease) in cash and cash equivalents		(238,314)	330,976
Cash and cash equivalents at beginning of year		431,670	101,720
Effects of exchange rate changes on cash		218	(1,026)
Cash and cash equivalents at end of year	(6(a))	193,574	431,670
Total cash classified as:			
Continuing operations		193,574	431,670
Total cash and cash equivalents at end of the period		193,574	431,670

1 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.

2 Total tax paid in 2012 was $64.7 million (2011: $15.4 million), including $62.1 million in 2012 relating to the disposal of the Attractions and Radio divisions referred to in note 1 above.

3 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.

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STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	ATTRIBUTABLE TO EQUITY HOLDERS OF VILLAGE ROADSHOW LIMITED				NON-CONTROLLING INTEREST	TOTAL EQUITY
CONSOLIDATED	Issued Capital (Note 19) $'000	Retained Earnings (Accumulated Losses) (Note 20) $'000	Other Reserves (Note 20) $'000	Total $'000	$'000	$'000
Balances at 1 July 2011	250,409	333,684	82,624	666,717	–	666,717
Profit for the year	–	33,771	–	33,771	–	33,771
Other comprehensive income (net)	–	–	977	977	–	977
Total comprehensive income (expense) for the period	–	33,771	977	34,748	–	34,748
Share-based payment movements	2,487	–	371	2,858	–	2,858
Capital reduction	(30,291)	–	–	(30,291)	–	(30,291)
Issue of shares under Directors' Share Plan from Directors' fees	248	–	–	248	–	248
Equity dividends and distributions	–	(151,469)	–	(151,469)	–	(151,469)
At 30 June 2012	222,853	215,986	83,972	522,811	–	522,811
Balances at 1 July 2010	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)
Total comprehensive income (expense) for the period	–	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 [1]	–	–	–	–	(129,925)	(129,925)
Transfers between reserves [1]	–	220,628	(220,628)	–	–	–
Other changes in equity	–	–	(8)	(8)	–	(8)
At 30 June 2011	250,409	333,684	82,624	666,717	–	666,717

1. 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.

FINANCIAL REPORT ADDITIONAL INFORMATION CORPORATE DIRECTORY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

(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 2012 was authorised for issue on 6 September 2012, in accordance with a resolution of the Directors. VRL is a for-profit entity 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 amendments AASB 2009-12, AASB 2010-4, AASB 2010-5, AASB 2010-6, AASB 2011-5, AASB 2011-9 and AASB 1048 which have resulted in changes to the following Australian Accounting Standards as part of the annual improvements project and other ongoing projects in the current financial year:
- AASB 3: *Business Combinations.*
- AASB 5: *Non-current Assets Held for Sale and Discontinued Operations.*
- AASB 7: *Financial Instruments: Disclosures.*
- AASB 8: *Operating Segments.*
- AASB 101: *Presentation of Financial Statements.*
- AASB 107: *Statement of Cash Flows.*
- AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors.*
- AASB 110: *Events After Reporting Date.*
- AASB 112: *Income Taxes.*
- AASB 117: *Leases.*
- AASB 118: *Revenue.*
- AASB 119: *Employee Benefits.*
- AASB 121: *The Effect of Changes in Foreign Exchange Rates.*
- AASB 127: *Consolidated and Separate Financial Statements.*
- AASB 128: *Investments in Associates.*
- AASB 131: *Interests in Joint Ventures.*
- AASB 132: *Financial Instruments: Presentation.*
- AASB 133: *Earnings Per Share.*
- AASB 136: *Impairment of Assets.*
- AASB 137: *Provisions, Contingent Liabilities and Contingent Assets.*
- AASB 139: *Financial Instruments: Recognition and Measurement.*
- AASB 1031: *Materiality.*
- AASB 1048: *Interpretations of Standards.*

The Group has adopted AASB 124: *Related Party Disclosures (Revised)* which simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

The Group has also adopted a new standard, AASB 1054: *Australian Additional Disclosures*. AASB 1054 resulted as part of phase 1 of the joint Trans-Tasman Convergence project. This standard relocates all Australian specific disclosures to one place, and it removes the need for capital and expenditure commitment disclosures. This standard has no financial impact on the Group as it relates to disclosures only.

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 2012, 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 this standard is 1 January 2015, and application date for the Group is 1 July 2015. The impact of adoption of this standard on the Group's financial results has not yet been assessed.
- 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. Application date of this standard is 1 January 2013, and application date for the Group is 1 July 2013. The impact on the Group will be the additional disclosure requirements contained in the standard.
- AASB 10: *Consolidated Financial Statements*: AASB 10 establishes a new control model that applies to all entities. The new model broadens the situations when an entity is considered to be controlled. 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*. Application date of this standard is 1 January 2013, and application date for the Group is 1 July 2013. There will be no impact on the Group as a result of this standard.
- 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. Application date of this standard is 1 January 2013, and application date for the Group is 1 July 2013. The Group currently uses the equity accounting method for jointly controlled entities (refer Note 1(c) (xiv)), and the application of this standard is not expected to have an impact on 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. Application date of this standard is 1 January 2013, and application date for the Group is 1 July 2013. This standard has no financial impact on the Group as it relates to disclosures only.
- AASB 1053: *Application of Tiers of Australian Accounting Standards*: AASB 1053 establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial reports. The Group will be applying tier 1, therefore there will be no change to the current reporting framework. Application date of this standard, and application date for the Group, is 1 July 2013.
- 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 2012, have been determined as having no significant impact on the financial results of the Group.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

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

(c) Summary of significant accounting policies (continued)

(ii) Business combinations (continued)

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.

(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 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

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

(c) Summary of significant accounting policies (continued)

(ix) Derivative financial instruments and hedging (continued)

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.

(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 at fair value

If there is objective evidence that an available-for-sale investment at fair value 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

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

(c) Summary of significant accounting policies (continued)

(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 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 the lesser of any relevant lease term and 40 years, using the straight line method.
- Plant, equipment and vehicles are depreciated over periods of between three and 25 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.

(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

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 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 either carried at cost less any accumulated impairment losses, or 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.

Software and Other Intangibles

Useful lives: Finite
Amortisation method used: Amortised over estimated useful lives which range from 2 to 25 years. The estimated useful life remaining is in the range of 2 – 21 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.

Assets that are classified as having an indefinite life are the brand names in the Theme Parks division. This conclusion has been based on the length of time that the brands have been in existence, and the fact that they have an established market presence.

(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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

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

(c) Summary of significant accounting policies (continued)

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

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 and the 2008 Option Plan for the Company's Chief Executive Officer, and ceasing in 2011, Austereo Group Ltd's Executive Share Plan and Loan Facility, 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.

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 25 for share-based payment disclosures relating to "in substance options".

(xxvii) Contributed equity

Ordinary shares and preference shares (which were varied to be ordinary shares in November 2010) 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.

(xxviii) 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

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

(c) Summary of significant accounting policies (continued)

(xxviii) Earnings per share (continued)

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.

(xxix) 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 allocated to the reportable segments.

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 29 is in accordance with IFRS. Inter-segment revenue applies the same revenue recognition principles as per Note (1)(c)(iii).

(xxx) Financial guarantees

The fair values of financial guarantee contracts as disclosed in Note 31 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 2012 and 30 June 2011 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 2012 and 30 June 2011 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.

(xxxi) 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 25.

(iii) Impairment of film distribution royalties

The Group determines whether film distribution royalties are impaired at least at each reporting 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 21(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 2012

	CONSOLIDATED 2012 $'000	2011 $'000
(2) REVENUE AND EXPENSES FROM CONTINUING OPERATIONS		
(a) Revenue		
Sale of goods	330,642	348,667
Rendering of services	561,137	541,633
Finance revenue —		
Other entities	12,858	11,892
Associated entities	641	1,662
Total revenues	905,278	903,854
(b) Other Income		
Management Fees from —		
Other entities	4,338	5,322
Associated entities	1,978	2,083
Net gains on disposal of property, plant and equipment	107	716
Unearned revenue written back	4,230	2,545
Commissions / fees received	3,185	1,772
Other	8,061	9,562
Total other income	21,899	22,000
(c) Share of net profits (losses) of associates and joint venture entities / partnerships accounted for using the equity method		
Share of associates' net profits (losses) (refer Note 11(a)(ii))	5,682	(35,285)
Share of joint venture entities' / partnerships' net profits (losses) (refer Note 11(b)(ii))	84	(850)
	5,766	(36,135)
(d) Expenses excluding finance costs		
Employee expenses —		
Employee benefits	13,831	13,354
Defined contribution superannuation expense	12,844	12,495
Share-based payments expense	371	700
Remuneration and other employee expenses	168,145	180,286
Total employee expenses	195,191	206,835
Cost of goods sold	72,767	83,693
Occupancy expenses —		
Operating lease rental – minimum lease payments	43,400	42,012
Operating lease rental – contingent rental payments	4,572	3,938
Other occupancy expenses	23,629	25,192
Total occupancy expenses	71,601	71,142
Film hire and other film expenses	219,325	232,690
Depreciation of —		
Buildings & improvements	2,678	2,706
Plant, equipment & vehicles	33,424	33,798
Amortisation of —		
Leasehold improvements	9,438	8,754
Finance lease assets	1,351	1,548
Deferred expenditure	26	–
Other intangibles	5,045	7,565
Total depreciation and amortisation	51,962	54,371
Net loss on disposal of investments	–	1,013
Net loss on disposal of receivables	–	45
Net loss on disposal of intangibles	734	–
Net foreign currency (gains) losses	(376)	3,689
Impairments and provisions relating to non-current assets and onerous leases (refer material items of income and expense in Reconcilation of Results contained in Directors' report)	2,750	20,097
Unrealised fair value (gain) loss on foreign exchange derivatives	(25)	81
Management and services fees paid	2,830	3,077
Insurance expenses	4,625	3,583
Theme park operating expenses	14,919	14,655
Repairs and maintenance	12,768	11,255
Consulting fees	6,258	5,406
Advertising and promotions	117,373	95,658
Regulatory and licensing fees	5,391	4,841
Telecommunications	2,581	2,830
Legal expenses	2,134	1,855
General and administration expenses —		
Provision for doubtful debts	(48)	(180)
Bad debts written off (written back) – other	(431)	(423)
Other general and administration expenses	37,146	35,372
Total general and administration expenses	36,667	34,769
Total expenses excluding finance costs	819,475	851,585

	CONSOLIDATED 2012 $'000	2011 $'000

(2) REVENUE AND EXPENSES FROM CONTINUING OPERATIONS (continued)

(e) Finance costs

	2012 $'000	2011 $'000
Bank loans and overdrafts	37,884	48,126
Other	3,275	4,465
Fair value change on interest rate derivatives not designated in a hedging relationship	5,533	(1,364)
Total finance costs	46,692	51,227

(3) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit less any 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 2012	2011
(a) Earnings per share:		
Net profit attributable to ordinary equity holders of VRL		
Basic EPS	22.3 cents	135.9 cents
Diluted EPS	22.0 cents	135.9 cents
Net profit from continuing operations attributable to ordinary equity holders of VRL		
Basic EPS	22.3 cents	20.6 cents
Diluted EPS	22.0 cents	20.6 cents

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

	CONSOLIDATED 2012 $'000	2011 $'000
Net profit attributable to ordinary equity holders of VRL from continuing operations	33,771	28,089
Net profit attributable to ordinary equity holders of VRL from discontinued operations	–	157,427
Net profit attributable to ordinary equity holders of VRL	33,771	185,516

	2012 No. of Shares	2011 No. of Shares
Weighted average number of ordinary shares for basic earnings per share	151,508,835	136,554,235
Weighted average number of ordinary shares for diluted earnings per share[1]	153,412,594	136,554,235

[1] The issued options were reviewed and determined to represent 1,903,759 potential ordinary shares as at 30 June 2012 (2011: no potential ordinary shares).

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 required to be accounted for as options. Shares issued under these plans are referred to as 'in-substance options' and are included in ordinary shares for the purposes of the EPS calculation.

(4) INCOME TAX

(a) Major components of income tax expense from continuing operations for the years ended 30 June 2012 and 2011 are:

	CONSOLIDATED 2012 $'000	2011 $'000
Statement of Comprehensive Income		
Current income tax		
Current income tax benefit	3,304	7,070
Adjustments in respect of current income tax of prior years	(12,455)	12,455
Deferred income tax		
Relating to origination and reversal of temporary differences	(25,200)	(4,311)
Movements taken up in equity instead of income tax (expense) benefit	1,346	(562)
Foreign tax credits not previously brought to account	–	1,630
Other non-current tax liabilities		
Other	–	24,900
Income tax (expense) benefit reported in statement of comprehensive income – continuing operations	(33,005)	41,182

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(4) INCOME TAX (continued)

(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:

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Net profit (loss) before income tax	66,776	(13,093)
At the statutory income tax rate of 30% (2011: 30%)	(20,033)	3,928
Adjustments in respect of current income tax of previous years[1]	(12,455)	12,455
Other deductible expenses [2]	–	9,035
Net losses of overseas subsidiaries not brought to account	(1,958)	(3,396)
Foreign tax credits not previously brought to account, now utilised or brought to account [2]	–	5,832
After-tax equity accounted profits (losses) included in pre-tax profit	1,730	(10,841)
Adjustments to other non-current tax liabilities [2]	–	24,900
Other	(289)	(731)
Total income tax (expense) benefit – continuing operations (at effective tax rate of 49.4% (2011: n/a)	(33,005)	41,182
Income tax (expense) – discontinued operations (refer Note 30)	–	(83,618)
Total income tax (expense)	(33,005)	(42,436)

[1] Included as income tax (expense) benefit in material items of income and expense in Reconciliation of Results contained in Directors' report for 2011 and 2012
[2] Included as income tax benefit in material items of income and expense in Reconciliation of Results contained in Directors' report for 2011

(c) Deferred tax

	STATEMENT OF FINANCIAL POSITION 2012 $'000	STATEMENT OF FINANCIAL POSITION 2011 $'000	STATEMENT OF COMPREHENSIVE INCOME 2012 $'000	STATEMENT OF COMPREHENSIVE INCOME 2011 $'000
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Property, plant & equipment	30,922	30,614	(308)	7,360
Film distribution royalties	37,844	22,089	(15,755)	1,571
Intangible assets	3,686	2,561	(1,125)	2,795
Other	5,049	4,528	(521)	2,508
Net-down with deferred tax assets	(37,826)	(45,468)	–	–
Total deferred income tax liabilities	39,675	14,324		
Other non-current tax liabilities				
Other	–	–	–	24,900
Deferred tax assets				
Post-employment benefits	6,291	6,980	(689)	(2,743)
Property, plant & equipment	12,056	11,221	835	(4,441)
Sundry creditors & accruals	2,457	2,733	(276)	(1,484)
Provision for doubtful debts	473	627	(154)	(1,270)
Expenses deductible over five year period	937	1,351	(414)	95
Provisions and unrealised foreign currency losses	10,132	16,520	(6,388)	5,391
Unearned income	1,334	1,319	15	(486)
Lease & other liabilities	–	–	–	(5,993)
Booked income tax losses & foreign tax credits	1,996	1,737	259	(9,466)
Other	4,964	5,643	(679)	(1,605)
Net-down with deferred tax liabilities	(37,826)	(45,468)	–	–
Total deferred income tax assets	2,814	2,663		
Deferred income tax (expense) benefit			(25,200)	17,132

(d) The following deferred tax assets arising from tax losses have not been brought to account as realisation of those benefits is not probable —

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Benefits for capital losses[1]	340	–

[1] 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 were disposed of, and the unbooked capital losses as at 30 June 2011 relating to the VRL group were fully utilised by the capital gain arising on the sale of Austereo.

(4) INCOME TAX (continued)

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 2012, VRL recognised an increase in current tax liabilities of $9.9 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 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.

	CONSOLIDATED	
	2012 $'000	2011 $'000

(5) DIVIDENDS DECLARED[1]

(a) Declared during the year

	2012 $'000	2011 $'000
Distribution on ordinary shares of 80.0 cents per share fully-franked (2011: Nil)	121,167	–
Final dividend on ordinary shares of 8.0 cents per share fully-franked (2011: Nil)	12,119	–
Interim dividend on ordinary shares of 12.0 cents per share unfranked (2011: 8.0 cents per share franked to 70%) [2]	18,183	12,114
Special dividend on ordinary shares of Nil cents per share (2011: 12.0 cents per share franked to 70%) [2]	–	18,172
	151,469	30,286

(b) Declared subsequent to year-end

	2012 $'000	2011 $'000
Fully-franked distribution on ordinary shares of Nil cents per share (2011: 80.0 cents per share) [3]	–	121,167
Final dividend on ordinary shares of 10.0 cents per share unfranked (2011: 8.0 cents per share fully-franked) [4,5]	15,324	12,117
	15,324	133,284

1 The tax rate at which paid dividends have been franked is 30% (2011: 30%).
2 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.
3 The fully-franked distribution of 80.0 cents per ordinary share declared subsequent to the year ended 30 June 2011, being part of the total distribution of $1.00 per ordinary share, was not accrued in the 30 June 2011 accounts.
4 The final dividends for the year ended 30 June 2012 and 30 June 2011, which were declared subsequent to year-end, were not accrued in the 30 June 2012 or 30 June 2011 accounts respectively.
5 The unfranked amount (100%) of the final dividend of 10.0 cents per share declared subsequent to 30 June 2012 represents conduit foreign income.

	CONSOLIDATED	
	2012 $'000	2011 $'000

(6) CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

	2012 $'000	2011 $'000
Cash on hand and at bank	43,415	45,238
Deposits at call	150,159	386,432
Total cash and cash equivalents – continuing operations	193,574	431,670
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	193,574	431,670
Total cash and cash equivalents for the purposes of the statement of cash flows	193,574	431,670

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

	CONSOLIDATED 2012 $'000	2011 $'000

(6) CASH AND CASH EQUIVALENTS (continued)

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

	2012 $'000	2011 $'000
Net profit	33,771	204,272
Adjustments for:		
Depreciation	36,102	44,682
Amortisation	15,860	18,757
Impairment and write-downs of non-current assets (refer Note 2(d))	2,750	16,502
Provisions	(2,813)	4,539
Net (gains) losses on disposal of assets	628	(200,897)
Unrealised foreign currency (profit) loss	(53)	134
Unrealised derivative (gain) loss (refer Notes 2(d) and 2(e))	5,533	(1,571)
Share of equity accounted (profits) losses	(5,766)	34,409
Changes in assets & liabilities:		
(Increase) decrease trade and other receivables	(8,445)	17,282
Increase (decrease) trade and other payables	59,334	(36,284)
(Increase) decrease net current tax assets	5,190	52,968
Increase (decrease) unearned income	6,120	461
Increase (decrease) other payables and provisions	(2,823)	13,670
(Increase) decrease inventories	3,222	(491)
(Increase) decrease capitalised borrowing costs	2,657	3,322
Increase (decrease) deferred and other income tax liabilities	25,200	(25,899)
(Increase) decrease prepayments and other assets	(50,561)	3,955
Net operating cash flows	125,906	149,811

(c) Financing facilities available

At reporting date, the following financing facilities were available:

	2012 $'000	2011 $'000
Total facilities	588,903	500,367
Facilities used at reporting date	452,403	492,367
Facilities unused at reporting date	136,500	8,000

Refer also Note 32 for an analysis of the Group's liquidity profile.

(7) TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Current:		
Trade and other receivables	121,462	108,588
Provision for impairment loss (a)	(5,264)	(9,726)
	116,198	98,862
Non-current:		
Trade and other receivables	11,355	9,803
Provision for impairment loss (a)	(169)	–
	11,186	9,803
Unsecured advances – other	1,459	345
	12,645	10,148
Due from associated entities	114,990	83,587
Provision for impairment loss (b)	(114,990)	(83,587)
	–	–
	12,645	10,148

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

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

	2012 $'000	2011 $'000
0 to 3 months	126,617	107,037
> 3 months	767	1,628
0 to 3 months – CI*	75	306
3 to 6 months – CI*	5	327
> 6 months – CI*	5,353	9,093
Total trade and other receivables before provisions	132,817	118,391

* Considered Impaired ("CI")

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000

(7) TRADE AND OTHER RECEIVABLES (continued)

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

Receivables past due but not considered impaired are $0.7 million (2011: $1.1 million).

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 32(c)(i)).

Movements in the provision for impairment loss were as follows:	2012 $'000	2011 $'000
Carrying amount at beginning	9,726	16,161
Charge for the year	1	106
Foreign exchange translation	3	–
Amounts written off for the year	(4,297)	(6,541)
Carrying amount at end	5,433	9,726

(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:	2012 $'000	2011 $'000
0 to 3 months – CI*	114,990	83,587
Total due from associated entities before provisions	114,990	83,587

* Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2011: Nil).

Movements in the provision for impairment loss were as follows:	2012 $'000	2011 $'000
Carrying amount at beginning	83,587	40,962
Increase for the year	31,509	43,737
Decrease for the year	(106)	(1,112)
Carrying amount at end	114,990	83,587

(8) INVENTORIES

Current:	2012 $'000	2011 $'000
Merchandise held for resale – at cost	17,050	19,837
Provision for stock loss	(1,907)	(1,472)
	15,143	18,365

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

(9) INTANGIBLE ASSETS AND GOODWILL

FOR THE YEAR ENDED 30 JUNE 2012 — CONSOLIDATED

	Film Distribution Rights $'000	Radio Licences $'000	Goodwill $'000	Brand Names[1] $'000	Software & Other $'000	Total $'000
At 1 July 2011						
Cost	34,213	–	237,887	32,726	52,657	357,483
Accumulated amortisation and impairment	(32,991)	–	(3,283)	(600)	(30,234)	(67,108)
Net carrying amount	1,222	–	234,604	32,126	22,423	290,375
Year ended 30 June 2012						
At 1 July 2011, net of accumulated amortisation and impairment	1,222	–	234,604	32,126	22,423	290,375
Additions	–	–	–	–	12,339	12,339
Net foreign currency movements arising from investments in foreign operations	–	–	270	56	396	722
Impairments	–	–	(2,750)	–	–	(2,750)
Disposals/Transfers	–	–	(770)	1,007	(2,783)	(2,546)
Amortisation – refer Note 2(d)	(815)	–	–	–	(4,230)	(5,045)
Net carrying amount	407	–	231,354	33,189	28,145	293,095
At 30 June 2012						
Cost	34,213	–	237,471	33,789	62,609	368,082
Accumulated amortisation and impairment	(33,806)	–	(6,117)	(600)	(34,464)	(74,987)
Net carrying amount	407	–	231,354	33,189	28,145	293,095

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(9) INTANGIBLE ASSETS AND GOODWILL (continued)

FOR THE YEAR ENDED 30 JUNE 2011 — **CONSOLIDATED**

	Film Distribution Rights $'000	Radio Licences $'000	Goodwill $'000	Brand Names[1] $'000	Software & Other $'000	Total $'000
At 1 July 2010						
Cost	34,213	457,901	367,713	39,077	55,087	953,991
Accumulated amortisation and impairment	(27,895)	–	(36,931)	(600)	(28,600)	(94,026)
Net carrying amount	6,318	457,901	330,782	38,477	26,487	859,965
Year ended 30 June 2011						
At 1 July 2010, net of accumulated amortisation and impairment	6,318	457,901	330,782	38,477	26,487	859,965
Additions	–	–	–	–	3,196	3,196
Net foreign currency movements arising from investments in foreign operations	–	–	(2,171)	(121)	(2,098)	(4,390)
Impairments	–	–	(3,504)	–	–	(3,504)
Disposals/Transfers	–	(457,901)	(90,503)	(6,230)	(2,693)	(557,327)
Amortisation- refer Note 2(d)	(5,096)	–	–	–	(2,469)	(7,565)
Net carrying amount	1,222	–	234,604	32,126	22,423	290,375
At 30 June 2011						
Cost	34,213	–	237,887	32,726	52,657	357,483
Accumulated amortisation and impairment	(32,991)	–	(3,283)	(600)	(30,234)	(67,108)
Net carrying amount	1,222	–	234,604	32,126	22,423	290,375

Notes:
[1] The majority of the brand names relate to the Village Roadshow Theme Parks group.

(a) Impairment testing of goodwill 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 12.6% to 14.5% (2011: 11.1% 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% (2011: 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 and for impairment testing included material groupings and 2012 balances as follows:

- Village Roadshow Theme Parks group – $137.1 million (2011: $137.1 million) (re: Australian Theme Park interests)
- Roadshow Distributors Pty. Ltd. group – $57.1 million (2011: $57.1 million) (re: Film Distribution interests)
- Village Cinemas Australia Pty. Ltd. – $28.9 million (2011: $28.9 million) (re: Australian Theatres Joint Venture cinema circuit)
- Village Roadshow Theme Parks USA Inc. – $3.4 million (2011: $5.9 million) (re: Wet'n'Wild Hawaii)

Impairment losses recognised:

An impairment loss for intangibles of $2.8 million was recognised for continuing operations in the year ended 30 June 2012 (2011: $3.5 million). The impairment related to goodwill acquired as part of the purchase of Wet'n'Wild Hawaii effective from 12 May 2008, which forms part of the Theme Parks segment, and the discount range used was 12.9% to 14.5% (2011: 11.1% to 12.6%). The impairment loss has been disclosed in Note 2(d). Wet'n'Wild Hawaii is a standalone cash generating unit, and the recoverable amount was based on fair value less cost to sell. The latest impairment resulted from a re-assessment based on the latest performance and forecasts, primarily due to a slower than expected recovery in the tourism market.

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 relevant brand names form part of the Australian Theme Parks CGU (2012: $31.1 million, 2011: $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% (2011: 3%). The pre-tax discount rates applied to cash flow projections ranged from 12.6% to 14.2% (2011: 14.1% 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 exceed recoverable amounts. As the Wet'n'Wild Hawaii goodwill has been effectively reduced to fair value, any adverse change in assumptions would lead to further impairment of the remaining balance of $3.4 million.

	CONSOLIDATED	
	2012 $'000	2011 $'000

(10) OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES

(a) Other Assets

	2012 $'000	2011 $'000
Current:		
Prepayments	5,305	5,781
Other assets	306	194
	5,611	5,975
Non-current:		
Security deposits	1,297	1,279
Other assets	667	930
	1,964	2,209

(b) Film Distribution Royalties

	2012 $'000	2011 $'000
Opening balance	74,383	79,593
Additions	88,894	34,898
Foreign currency movements	723	(3,611)
Film hire and other film expenses	(37,561)	(36,497)
	126,439	74,383
Current film distribution royalties	35,955	27,214
Non-current film distribution royalties	90,484	47,169
	126,439	74,383

(11) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD [1,2,3]

	2012 $'000	2011 $'000
Non-current:		
Investments in associates	19,554	13,125
Investments in jointly controlled entities/partnerships	1,565	3,001
	21,119	16,126

(a) Investments in associates

(i) Extract of equity-accounted associates' statement of financial position:

	2012 $'000	2011 $'000
Current assets	24,672	18,212
Non-current assets	51,371	51,684
	76,043	69,896
Current liabilities	(15,141)	(29,892)
Non-current liabilities	(20,591)	(12,528)
	(35,732)	(42,420)
Net assets	40,311	27,476
Share of equity-accounted associates' net assets	20,151	13,738

(ii) Share of equity-accounted associates' income and profits (losses):

	2012 $'000	2011 $'000
Income	46,115	55,303
Expenses	(40,277)	(89,579)
Profit (loss) before income tax	5,838	(34,276)
Income tax (expense)	(156)	(1,009)
Share of equity-accounted associates' profit (loss)	5,682	(35,285)
Cumulative unrecognised share of associates' loss after income tax due to discontinuation of equity method	(388,020)	(266,843)

(iii) Contingent liabilities of associates:

Share of contingent liabilities incurred jointly with other investors – refer Note 21 for any disclosures.

(b) Interests in jointly controlled entities/partnerships

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

	2012 $'000	2011 $'000
Current assets	1,657	2,815
Non-current assets	2,232	2,125
	3,889	4,940
Current liabilities	(1,801)	(1,977)
Non-current liabilities	(523)	(877)
	(2,324)	(2,854)
Net assets	1,565	2,086

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

	CONSOLIDATED	
	2012 $'000	2011 $'000

(11) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD [1,2,3] (continued)

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

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

	2012 $'000	2011 $'000
Income	12,260	21,584
Expenses	(12,140)	(22,798)
Profit (loss) before income tax	120	(1,214)
Income tax (expense)	(36)	364
Profit (loss) after income tax	84	(850)

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

Share of contingent liabilities incurred jointly with other investors – refer Note 21 for any disclosures.

1 Prior to the most recent restructuring in June 2012, the position in relation to Village Roadshow Entertainment Group Limited ("VREG") is summarised as follows. The VRL group held 40.44% of the ordinary shares in VREG. The VRL group also held preference shares (VL Class shares) in VREG, which derived from a US$45 million loan made in 2009. In addition, the VRL group held a further class of preference shares in recognition of certain priority distributions that the VRL group was entitled to (V Class shares). As a result of the Shareholders Agreement applicable at that time, which required consensus for key decisions, the shares held by the VRL group did not deliver control of VREG to the VRL group in accordance with AASB 127: *Consolidated and Separate Financial Statements*, therefore the VRL group accounted 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 material items of income and expense in the Reconciliation of Results which forms part of the Directors' Report).

Following the most recent restructuring in June 2012, the current position in relation to VREG is summarised as follows. As advised to the Australian Securities Exchange on 29 June 2012, VREG obtained US$275 million of new funding, as part of a restructuring of its capital base. Under the restructuring, the ordinary shares and V Class shares held by the VRL group all became ordinary shares.

Following this restructuring, the VRL group is the largest shareholder in VREG, with 47.63% of the ordinary shares of VREG. The terms of the VL Class shares owned by the VRL group were modified to become dividend bearing non-voting redeemable equity shares of approximately US$100 million. The VL Class shares are scheduled to be redeemed by 2018 and can be converted into ordinary shares upon an Initial Public Offering ("IPO") of VREG. Subject to the film performance of VREG films, the VRL group will receive approximately US$5 million p.a. in dividends on the VL Class shares, as they will earn a 5% p.a. cash dividend and 9% p.a. payment in kind. Partial capital redemption of the VL Class shares will commence from 2015, proportionately with the US$275 million of new funding. The VL Class shares are subordinated to the new funding in the event of default or poor film performance.

Also following this restructuring in June 2012, the VRL group's accounting treatment of VREG has been reviewed in detail. The provisions of the latest VREG Shareholders Agreement, which was amended as part of the June 2012 restructuring, mean that the VRL group is not able to control VREG in accordance with AASB 127: *Consolidated and Separate Financial Statements*, however the VRL group does have significant influence over VREG in accordance with AASB 128: *Investments in Associates*. Therefore, the investment in VREG continues to be equity-accounted, and as a result of the significant negative net asset position of VREG, the carrying value of the shareholding, including the VL Class shares, continues to be fully provided against, so that the VRL group has no carrying value for accounting purposes.

2 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 was US$17.5 million, which was undrawn as at 30 June 2011. This loan facility was provided to fund VREG Asia's investment in its Chinese film business. During the year ended 30 June 2012, the total amount that had been drawn under this loan (A$8.6 million), and all accrued interest (A$0.6 million), was repaid by VREG Asia, following the restructuring of VREG in June 2012 (as summarised above).

3 During the year ended 30 June 2011, as detailed in Note 11 of the VRL group accounts for the year ended 30 June 2011, 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 2012 is an impairment of the investment carrying value of $0.4 million (2011: $4.7 million impairment).

	CONSOLIDATED	
	2012 $'000	2011 $'000

(12) AVAILABLE-FOR-SALE INVESTMENTS

Non-current:

	2012 $'000	2011 $'000
Investments at cost:		
Investments in unlisted entities	2,995	300
Investments in listed entities	2	2
	2,997	302

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

(13) SUBSIDIARIES

NAME	COUNTRY OF INCORPORATION [1]	% OWNED 2012	% OWNED 2011
Allehondro Pty. Limited[3]	Australia	–	100.00%
Animus No. 2 Pty. Limited[3]	Australia	–	100.00%
Aqua Del Rey International Pty. Limited[3]	Australia	–	100.00%
Baltimore House Pty. Limited[3]	Australia	–	100.00%
Colorado Bay Pty. Limited[3]	Australia	–	100.00%
Daydream Finance Pty. Limited[3]	Australia	–	100.00%
DEG Holdings Pty. Limited	Australia	100.00%	100.00%
DIIR Pty. Limited[3]	Australia	–	100.00%
Effem Wonofor Pty. Limited[3]	Australia	–	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[3]	Australia	–	100.00%
Film Services (Australia) Pty. Limited	Australia	100.00%	100.00%
FM Media (ACT) Pty. Limited[3]	Australia	–	100.00%
FM Media Overseas Pty. Limited[3]	Australia	–	100.00%
FM Operations Pty. Limited[3]	Australia	–	100.00%
Fortress Films Pty. Limited[3]	Australia	–	100.00%
Fortress Films II Pty. Limited[3]	Australia	–	100.00%
GOG Productions Pty. Limited [2]	Australia	99.00%	99.00%
Harvest Family Entertainment Arizona LLC	United States	100.00%	100.00%
In10metro Pty. Limited (previously called Intencity Pty. Limited)	Australia	100.00%	100.00%
Jaran Bay Pty. Limited[3]	Australia	–	100.00%
Jimbolla Pty. Limited[3]	Australia	–	100.00%
Medborne Proprietary Limited[3]	Australia	–	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[3]	Australia	–	100.00%
Nu-Pay View Entertainment Pty. Limited[3]	BVI	–	100.00%
Pacific Drive Productions Pty. Limited[3]	Australia	–	100.00%
Paradise Beach Productions Pty. Limited[3]	Australia	–	100.00%
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%
Sea World Aviation Partnership[3]	Australia	–	100.00%
Sea World Helicopters Pty. Limited	Australia	100.00%	100.00%
Sea World Management Pty. Limited	Australia	100.00%	100.00%
Sea World Property Trust	Australia	100.00%	100.00%
Sincled Investments Pty. Limited	Australia	100.00%	100.00%
TAJ Walker Pty. Limited[3]	BVI	–	100.00%
Tarzan Films Pty. Limited	Australia	100.00%	100.00%
TTMBC Pty. Limited[3]	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%
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[3]	Australia	–	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 Developments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Digital Pty. Limited	Australia	100.00%	–
Village Roadshow Distribution (M) Sdn Bhd[3]	Malaysia	–	100.00%
Village Roadshow East Coast Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Exhibition Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Administration Pty. Limited[3]	Australia	–	100.00%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(13) SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION [1]	% OWNED 2012	% OWNED 2011
VR ESP Finance Pty. Limited (previously called Village Roadshow Film Finance Pty. Limited)	Australia	100.00%	100.00%
Village Roadshow Film Operator Pty. Limited[3]	Australia	–	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[3]	Australia	–	100.00%
Village Roadshow FM Pty. Limited[3]	Australia	–	100.00%
Village Roadshow Holdings Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Hungary ZRT	Hungary	100.00%	100.00%
Village Roadshow Intencity Pty. Limited	Australia	100.00%	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[3]	Italy	–	100.00%
Village Roadshow Jam Factory Pty. Limited	Australia	100.00%	100.00%
Village Roadshow JLA Pty. Limited [2]	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[3]	Australia	–	100.00%
Village Roadshow Mumble 2 Productions Pty. Limited [2]	Australia	99.00%	99.00%
Village Roadshow Pictures (Australia) Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures (U.S.A.) Inc.[3]	United States	–	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 Properties Pty. Limited (previously called Village Roadshow Coburg Pty.Limited)	Australia	100.00%	100.00%
Village Roadshow Resorts Pty. Limited[3]	Australia	–	100.00%
Village Roadshow Retail Stores Pty. Limited[3]	Australia	–	100.00%
Village Roadshow Share Plan Pty. Limited	Australia	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[3]	Australia	–	100.00%
Village Roadshow Theme Parks 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 Theatres 3 Limited	United Kingdom	100.00%	100.00%
Village Theatres Morwell Pty. Limited	Australia	75.00%	75.00%
VR Corporate Services Pty. Limited	Australia	100.00%	100.00%
VR GOG Productions Inc. [2]	United States	99.00%	99.00%
VR International Pictures Pty. Limited[3]	Australia	–	100.00%
VRFP Pty. Limited[3]	Australia	–	100.00%
VR JLA Productions Inc. [2]	United States	99.00%	99.00%
VR Leisure Holdings Pty. Limited (previously called Village Seaworld Operations Pty. Limited)	Australia	100.00%	100.00%
VR Mumble 2 Productions Inc. [2]	United States	99.00%	99.00%
VRPPL Pty. Limited	Australia	100.00%	100.00%
VRPROSERV Pty. Limited[3]	Australia	–	99.00%
VRS Holdings Pty. Limited	Australia	100.00%	100.00%
VRTP Entertainment Pty. Limited	Australia	100.00%	100.00%
WB Properties Australia Pty. Limited	Australia	100.00%	100.00%
Worldwide Films Pty. Limited[3]	Australia	–	100.00%
WSW Aviation Pty. Limited	Australia	100.00%	100.00%
WSW Units Pty. Limited	Australia	100.00%	100.00%
WW Australia Pty. Limited	Australia	100.00%	100.00%

1 Foreign subsidiaries carry out their business activities in the country of incorporation. Material overseas entities are audited by Ernst & Young International affiliates.
2 Represent entities which are not consolidated.
3 Entities placed into liquidation or dissolution during the year, or partnerships terminated during the year.

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000

(14) PROPERTY, PLANT & EQUIPMENT

	2012 $'000	2011 $'000
Land:		
At cost	31,044	31,044
Buildings & improvements:		
At cost	73,669	70,135
Less depreciation and impairment	(21,546)	(18,868)
	52,123	51,267
Capital work in progress	17,035	6,602
Leasehold improvements:		
At cost	202,840	197,581
Less amortisation and impairment	(73,656)	(64,174)
	129,184	133,407
Plant, equipment & vehicles (owned):		
At cost	524,202	502,592
Less depreciation and impairment	(234,376)	(222,379)
	289,826	280,213
Plant, equipment & vehicles (leased):		
At cost	23,349	22,953
Less amortisation and impairment	(5,383)	(4,462)
	17,966	18,491
	537,178	521,024

(a) Reconciliations

	2012 $'000	2011 $'000
Land:		
Carrying amount at beginning	31,044	29,224
Additions	–	1,820
Carrying amount at end	31,044	31,044
Buildings & improvements:		
Carrying amount at beginning	51,267	53,605
Additions	3,530	3,426
Impairment (Note 2(d)) [1]	–	(3,017)
Net foreign currency movements arising from investments in foreign operations	4	(26)
Depreciation expense	(2,678)	(2,721)
Carrying amount at end	52,123	51,267
Capital work in progress:		
Carrying amount at beginning	6,602	17,750
Additions	12,286	932
Net foreign currency movements arising from investments in foreign operations	18	(233)
Disposals/Transfers	(1,871)	(11,847)
Carrying amount at end	17,035	6,602
Leasehold improvements:		
Carrying amount at beginning	133,407	190,410
Additions	5,465	18,239
Impairment (Note 2(d)) [1]	–	(88)
Net foreign currency movements arising from investments in foreign operations	372	(1,713)
Disposals/Transfers	(622)	(62,434)
Amortisation expense	(9,438)	(11,007)
Carrying amount at end	129,184	133,407
Plant, equipment & vehicles (owned):		
Carrying amount at beginning	280,213	334,585
Additions	39,562	52,340
Impairment (Note 2(d)) [1]	–	(9,894)
Net foreign currency movements arising from investments in foreign operations	990	(5,127)
Disposals/Transfers	2,485	(51,235)
Depreciation expense	(33,424)	(40,456)
Carrying amount at end	289,826	280,213
Plant, equipment & vehicles (leased):		
Carrying amount at beginning	18,491	25,213
Net foreign currency movements arising from investments in foreign operations	982	(5,332)
Disposals/Transfers	(156)	158
Amortisation expense	(1,351)	(1,548)
Carrying amount at end	17,966	18,491

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(14) PROPERTY, PLANT & EQUIPMENT (continued)

(a) Reconciliations (continued)

[1] Impairment losses recognised:

In the year ended 30 June 2011, Village Roadshow Studios' (Theme Park Division) economic performance gave rise to an impairment trigger. This resulted in a valuation of the recoverable amount of the assets 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 was 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 was recognised. The impairment amounts were calculated after allowing for items that would 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) for 2011.

	CONSOLIDATED	
	2012 $'000	2011 $'000

(15) TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Current:		
Trade and sundry payables	179,080	150,450
	179,080	150,450
Non-current:		
Trade and sundry payables	58,437	28,313
Owing to —		
Associated entities	570	–
Other	3,388	2,191
	62,395	30,504

For terms and conditions refer to Note 32(c)(ii).

(16) INTEREST BEARING LOANS AND BORROWINGS

	2012 $'000	2011 $'000
Current:		
Secured borrowings	31,924	45,181
Unsecured borrowings	3,000	1,000
Finance lease liabilities (refer Note 22(a))	77	80
	35,001	46,261
Non-current:		
Secured borrowings	412,543	435,757
Unsecured borrowings	–	2,987
Finance lease liabilities (refer Note 22(a))	–	179
	412,543	438,923

Terms and conditions relating to the above financial instruments:

The Company has a long-term finance facility with a facility limit of $100 million as at 30 June 2012 (30 June 2011: Nil). This facility, which was undrawn as at 30 June 2012 and as at the date of this report, is 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 $1,287.7 million (2011: $1,162.9 million). The lease liabilities are secured by a charge over the leased assets.

Refer Note 32(c)(ii) for additional information concerning finance lease terms and conditions.

	CONSOLIDATED	
	2012 $'000	2011 $'000

(17) PROVISIONS

	2012 $'000	2011 $'000
Current:		
Employee benefits	23,588	23,082
Make good provision	–	60
Other	5,875	5,077
	29,463	28,219
Non-current:		
Employee benefits	2,270	5,229
Make good provision	2,379	1,609
Other	5,021	5,023
	9,670	11,861
Employee benefit liabilities:		
Provision for employee benefits —		
Current	23,588	23,082
Non-current	2,270	5,229
Aggregate employee benefit liability	25,858	28,311

(a) Reconciliations

	2012 $'000	2011 $'000
Make good provision:		
Carrying amount at the beginning of the financial year	1,669	1,924
Amounts added during the year	723	99
Amounts utilised during the year	(60)	(380)
Discount adjustment	47	26
Carrying amount at the end of the financial year	2,379	1,669
Leasehold Liability:		
Carrying amount at the beginning of the financial year	–	13,465
Disposals – discontinued operations	–	(13,465)
Carrying amount at the end of the financial year	–	–
Other provisions:		
Carrying amount at the beginning of the financial year	10,100	1,602
Increase in provision	1,312	8,861
Amounts utilised during the year	(521)	(108)
Net foreign currency movements arising from investments in foreign operations	5	(16)
Disposals – discontinued operations	–	(239)
Carrying amount at the end of the financial year	10,896	10,100

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.

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 was disposed of.

Other provisions

Other provisions mainly comprises an onerous lease provision (with the balance relating to various other matters). Due to the nature of the liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

	CONSOLIDATED 2012 $'000	2011 $'000
(18) OTHER LIABILITIES		
Current:		
Unearned revenue	33,015	26,895
Other liabilities	–	61
	33,015	26,956
Non-current:		
Other liabilities	–	644
	–	644
(19) CONTRIBUTED EQUITY		
Issued & fully paid up capital:		
Ordinary shares	236,932	261,637
Employee share loans deducted from equity [1]	(14,079)	(11,228)
	222,853	250,409

[1] Secured advances – executive loans (refer also to Note 25).

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 to 2011, 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. For allotments from 2012 onwards, 20 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 2012 and 2011 years, movements in fully paid shares on issue were as follows:

	CONSIDERATION 2012 $'000	CONSIDERATION 2011 $'000	NO. OF SHARES 2012 Thousands	NO. OF SHARES 2011 Thousands
(a) Ordinary shares —				
Beginning of the financial year	261,637	(10,799)	151,459	114,218
Buyback – October 2010 at $2.46 to $2.57 (on-market)	–	(19,430)	–	(7,268)
Variation of preference shares into ordinary shares – November 2010	–	291,777	–	44,368
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
Capital return – July 2011 – $0.20 per share	(30,291)	–	–	–
Allotment – September 2011 at $3.00	77	–	26	–
Allotment – December 2011 at $3.02	77	–	25	–
Allotment – March 2012 at $3.10	47	–	15	–
Allotment – June 2012 at $3.14	5,385	–	1,715	–
End of the financial year	236,932	261,637	153,240	151,459
(b) A Class preference shares —				
Beginning of the financial year	–	313,302	–	52,235
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	–	–	–	–

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.

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. During the year ended 30 June 2012, 1,000,000 first tranche options and 507,132 second tranche options vested and 492,868 second tranche options lapsed, with 1,000,000 second tranche options subject to retesting in 2013.

(19) CONTRIBUTED EQUITY (continued)

Issued Options: (continued)

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 25 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.

As at 30 June 2012, the details of outstanding options over ordinary shares were as follows:

Number of options	Expiry date	Exercise price per option
1,250,036	1 March 2015	$2.00
2,000,000	1 March 2015	$2.00
2,000,000	1 March 2015	$2.00

The Company has also issued various "in substance options" – refer Note 25.

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 2012 and 2011 were as follows:

	CONSOLIDATED	
	2012 $'000	2011 $'000
Total borrowings	447,544	485,184
Less cash and cash equivalents	(193,574)	(431,670)
Net debt	253,970	53,514
Total equity	522,811	666,717
Total capital	776,781	720,231
Gearing ratio	33%	7%

As a result of the sale of the Attractions and Radio divisions in the year ended 30 June 2011, net debt had significantly reduced to $53.5 million as at 30 June 2011. In the year ended 30 June 2012, the Group paid a shareholder distribution of $151.5 million, and also paid income tax of $62.1 million relating to the disposal in the prior year of the Attractions and Radio divisions.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

	CONSOLIDATED	
	2012 $'000	2011 $'000
(20) RESERVES AND RETAINED EARNINGS		
Foreign currency translation reserve:		
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	(15,069)	617
Amount relating to translation of accounts & net investments before tax effect	463	(14,983)
Tax effect of relevant movements for year	(788)	(703)
Balance at end of year	(15,394)	(15,069)
Cash flow hedge reserve:		
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	(1,764)	(355)
Movement on effective hedging instruments during the year before tax effect	1,860	(1,697)
Tax effect of movement on effective hedging instruments during the year	(558)	509
Other movements	–	(221)
Balance at end of year	(462)	(1,764)
Asset revaluation reserve:		
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
Employee equity benefits reserve:		
This reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration (refer Note 25).		
Balance at beginning of year	7,639	6,939
Share based payment movements	371	700
Balance at end of year	8,010	7,639
General reserve:		
The general reserve is used for amounts that do not relate to other specified reserves.		
Balance at beginning of year	344	344
Balance at end of year	344	344
Capital profits reserve:		
The capital profits reserve was used to accumulate realised capital profits arising from investments accounted for using the equity method.		
Balance at beginning of year	–	8
Other movements	–	(8)
Balance at end of year	–	–
Controlled entity share sale & buy-back reserve:		
The controlled entity share sale & buy-back reserve was 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
Transfer to retained earnings [1]	–	(220,628)
Balance at end of year	–	–
Total reserves	83,972	82,624
Retained earnings (accumulated losses):		
Balance at the beginning of year	333,684	(42,174)
Net profit attributable to members of VRL	33,771	185,516
Transfers from reserves [1]	–	220,628
Total available for appropriation	367,455	363,970
Dividends and distributions provided or paid	(151,469)	(30,286)
Balance at end of year	215,986	333,684

[1] 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.

	CONSOLIDATED	
	2012 $'000	2011 $'000

(21) CONTINGENCIES

(a) Contingent liabilities[1]

Best estimate of amounts relating to:		
(i) Bank guarantees for commitments of subsidiaries	6,486	1,600
(ii) Joint and several obligations for operating lease commitments of joint venture partners [2]	60,093	67,491
(iii) Corporate guarantees for commitments of subsidiaries	317	–
	66,896	69,091

1 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.

2 Refer Note 21(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. 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:

As disclosed in note 22(a)(v) in the 30 June 2011 financial report, VRL continues to provide guarantees in relation to monies owing by affiliates of 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, amounts owing to WB in respect of tax rebates relating to film production activities (both of which are not considered to be contingent liabilities as they have been assessed as being remote, and both of which are not capped), and other amounts owing by VREG to WB, which are capped at US$50 million.

The total amount owing by VREG to WB as at 30 June 2012 in respect of prints and advertising amounts was US$0.2 million (30 June 2011: US$0.1 million), however as these amounts are recouped by WB directly out of film exploitation proceeds collected by WB, then the possibility of an outflow of funds from the VRL group under this guarantee has been assessed as being remote.

The total amount owing by VREG to WB as at 30 June 2012 in respect of tax rebates relating to film production activities was US$54.8 million. As these tax rebates are payable by Government authorities in Australia and the United Kingdom, the relevant films have qualified for the tax rebates, and the amounts owing by VREG to WB are less than the estimated refund amounts in each case, then the possibility of an outflow of funds from the VRL group under these guarantees has been assessed as being remote.

In the event that payments are made under the guarantees, VRL has recourse against VREG. 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.

As disclosed in Note 22(a)(vi) in the 30 June 2011 financial report, 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. In March 2012, the ATO advised in writing that, based on the information currently available, this tax audit would not be proceeding.

(vii) Belfast Rent Dispute:

As disclosed in Note 22(a)(vii) in the 30 June 2011 financial report, Village Theatres 3 Limited ("VT3"), a wholly-owned subsidiary in the VRL group, is continuing to take action against its 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 2012.

(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	
	2012 $'000	2011 $'000
(i) Right of recourse in relation to joint and several obligations for operating lease commitments of joint venture partners [1]	60,093	67,491

1 refer Note 21(a)(ii) for corresponding amount reflecting the related contingent liabilities.

(ii) Other contingent assets – Income Tax:

In the 31 December 2011 half-year financial report, it was noted that, as a result of announced changes to tax consolidation legislation by the Australian Government, the VRL group had lodged a number of income tax refund requests with the ATO, and anticipated lodging a number of further income tax refund requests prior to 30 June 2012. As the relevant legislation had not been drafted at that stage, the estimated refund amounts claimed or to be claimed, in excess of amounts which had already been recognised in the financial statements, which totalled approximately $9.9 million, had not been recognised in the financial statements at that stage.

As a result of the relevant legislation which was enacted in June 2012, these estimated additional amounts are no longer expected to be received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(22) 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:

	2012		2011	
	Minimum lease payments $'000	Present value of lease payments $'000	Minimum lease payments $'000	Present value of lease payments $'000
CONSOLIDATED				
Payable within 1 year	80	77	80	80
Payable between 1 and 5 years	–	–	188	179
	80	77	268	259
Less future finance charges	(3)	–	(9)	–
Total finance lease liabilities	77	77	259	259

(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 16 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 45 years.

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

	CONSOLIDATED	
	2012 $'000	2011 $'000
(i) Operating leases – Minimum lease payments:		
Payable within 1 year	37,968	38,236
Payable between 1 and 5 years	133,162	122,919
Payable after 5 years	233,784	232,886
	404,914	394,041
(ii) Operating leases – Percentage based lease payments: [1]		
Payable within 1 year	5,735	5,994
Payable between 1 and 5 years	19,486	21,843
Payable after 5 years	35,253	40,181
	60,474	68,018
Total operating lease commitments	465,388	462,059

1 Accounting standard AASB 117: *Leases* applies to the rental commitments of the Group. 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.

	CONSOLIDATED	
	2012 $'000	2011 $'000
(c) Other expenditure commitments		
Estimated capital and other expenditure contracted for at reporting date but not provided for:		
Payable within one year	27,115	19,477
Payable between 1 and 5 years	11,615	5,467
Payable later than 5 years	2,940	5,880
Total other expenditure commitments	41,670	30,824

In addition to the amounts disclosed as other expenditure commitments in note 22(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 2012, 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 22(c) is Nil (2011: $10.1 million).

As at 30 June 2012, the estimated amount of capital expenditure required to complete the Wet 'n' Wild Sydney water park currently in development, that has not already been paid and included with capital work in progress in Note 14, or included in the amounts disclosed in Note 22(c), is approximately $90 million.

(23) 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.

(24) 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	
	2012 $	2011 $	2012 $	2011 $
Short-Term	11,914,676	20,976,560	11,914,676	20,976,560
Post-Employment	2,092,030	1,887,228	2,092,030	1,887,228
Other Long-Term	258,640	278,862	258,640	278,862
Termination Benefits	–	544,539	–	544,539
Sub-totals	14,265,346	23,687,189	14,265,346	23,687,189
Share-based Payment	295,974	490,150	295,974	490,150
Totals	14,561,320	24,177,339	14,561,320	24,177,339

(b) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Village Roadshow Limited (number)

2012 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[1]	Ordinary	Ordinary	Ordinary
Directors					
Robert G. Kirby[3]	77,859,352	–	–	–	77,859,352
John R. Kirby[3]	77,859,352	–	–	–	77,859,352
Graham W. Burke[3]	77,859,352	–	–	–	77,859,352
Peter D. Jonson	60,778	12,646	–	–	73,424
D. Barry Reardon	18,552	–	–	10,000	28,552
Peter M. Harvie	–	–	–	42,900	42,900
David J. Evans	92,038	19,933	–	–	111,971
Robert Le Tet	11,683	39,164	–	–	50,847
Tim Antonie	2,957	9,790	–	–	12,747
Executives					
Julie E. Raffe	–	–	–	–	–
Clark J. Kirby	2,500	–	–	–	2,500
Simon T. Phillipson	200,000	–	–	–	200,000
David Kindlen	23,025	–	–	–	23,025

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[1]	Preference	Ordinary	Preference	Ordinary[2]	Preference	Ordinary	Preference
Directors										
Robert G. Kirby[3]	77,859,352	–	–	–	–	–	–	–	77,859,352	–
John R. Kirby[3]	77,859,352	–	–	–	–	–	–	–	77,859,352	–
Graham W. Burke[3]	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[4]	–	–	2,957	–	–	–	–	–	2,957	–
Executives										
Philip S. Leggo[5]	–	–	–	–	–	–	–	–	–	–
Julie E. Raffe	–	–	–	–	–	–	–	–	–	–
Clark J. Kirby[6]	–	–	–	–	–	–	2,500	–	2,500	–
Simon T. Phillipson	–	–	–	–	–	–	200,000	–	200,000	–
Timothy Carroll[7]	–	–	–	–	–	–	–	–	–	–
David Kindlen	11,025	12,000	–	–	–	–	12,000	(12,000)	23,025	–

1 Allotments under Director Share Plan from Directors Fees.
2 Includes movements from preference shares converted to ordinary shares on 16 November 2010.
3 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.
4 Appointed as Director on 1 December 2010.
5 On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.
6 Appointed to the Executive Committee on 1 December 2010.
7 On 29 April 2011 Mr. Carroll retired from the Executive Committee and ceased as KMP from that date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(24) KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

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

Shares held in Austereo Group Limited (number)

2012

No KMP held shares in Austereo Group Limited for the 2012 year.

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	Ordinary	Ordinary	Ordinary[1]	Ordinary
Directors					
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[2]	–	–	–	–	–
Executives					
Philip S. Leggo[3]	–	–	–	–	–
Julie E. Raffe	–	–	–	–	–
Clark J. Kirby[4]	–	–	–	–	–
Simon T. Phillipson	–	–	–	–	–
Timothy Carroll[5]	–	–	–	–	–
David Kindlen	21,621	–	–	(21,621)	–

1 Sold into takeover of Austereo Group Limited in March 2011.
2 Appointed as Director on 1 December 2010.
3 On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.
4 Appointed to the Executive Committee on 1 December 2010.
5 On 29 April 2011 Mr. Carroll 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 25.

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[1]	NUMBER IN GROUP AT THE END OF THE YEAR
	$	$	$	$	$	No.
Year ended 30 June 2012						
Directors	–	–	–	–	–	–
Executives	–	–	–	–	–	–
Total KMP	–	–	–	–	–	–
Year ended 30 June 2011						
Directors	2,010,932	55,751	–	–	–	–
Executives	–	–	–	–	–	–
Total KMP	2,010,932	55,751	–	–	–	–

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

30 JUNE 2012	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED	WRITE-OFF	BALANCE AT THE END OF THE YEAR[1]	HIGHEST OWING IN PERIOD
	$	$	$	$	$	$
Directors						
Nil						

30 JUNE 2011	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED	WRITE-OFF	BALANCE AT THE END OF THE YEAR[1]	HIGHEST OWING IN PERIOD
	$	$	$	$	$	$
Directors						
Robert G. Kirby	2,010,932	55,751	–	–	–	2,011,296

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

(24) KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

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

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 25.

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., which are non-competing cinemas owned by an entity associated with Mr. R.G. Kirby, exhibit films supplied by the Roadshow Distributors Pty. Ltd. group ("RD group") on arms length terms and conditions. The total amount paid to the RD group for the year ended 30 June 2012 was $400,561 (2011: $296,500). 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 $304,061 for the year ended 30 June 2012 (2011: $285,160). 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 $66,555 for the year ended 30 June 2012 (2011: $60,250). 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 2012 was $38,932 (2011: $48,677).

The consolidated entity reimbursed Carolyna 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 2012 was $45,563 (2011: $45,446).

As at 30 June 2012, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was $10,977 (2011: $9,533), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was $698 (2011: $7,159).

As disclosed in the 2011 financial report, 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 was accrued in the 30 June 2011 accounts.

(25) 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 2011 year; and
3. The entity's 2008 Option Plan over ordinary shares to the entity's CEO ("2008 OP").

At 30 June 2012 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 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 consolidated entity. One of these loans, over 42,900 shares, was repaid from dividends during the year.

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.

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, assisting in aligning their long term interests with those of shareholders.

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 of default. 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, 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'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(25) SHARE BASED PAYMENT PLANS (continued)

(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 (now ordinary shares) to relevant 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. All grants to Mr P.M. Harvie were in his capacity as an executive of the consolidated entity and were prior to him becoming a Director of the Company.

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 employee who pays for the allotment by obtaining a loan from the consolidated entity which holds the ESP shares as security.

The ESP was amended in 2012. Shares issued prior to 2012 vest (become unrestricted) 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. For shares issued in 2012 and thereafter, one third vest in years 3, 4 and 5 from the date of issue and the loan bears interest at twenty cents per share per annum and the first twenty cents of dividends per share per year is used to repay the interest charged and 50% of the remaining dividend per share is used to repay the capital amount of the loan. For shares issued in 2012 or thereafter, where the loan balance owing falls below $2.00 per share, the interest rate becomes 10% of the balance owing on the loan.

If the employee resigns or is dismissed, the restricted and unvested 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 employee. 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 $77,373 for the 2012 financial year (2011: $228,685).

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 $11,331 for the 2012 financial year (2011: $25,682).

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 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 $73,770 for the 2012 financial year (2011: $57,829).

On 29 June 2012, 1,700,000 ordinary 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: $3.14;
- Expected volatility: 35% – based on historical volatility;
- Risk-free interest rate: 2.73% – 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 $0.79.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of $1,921 for the 2012 financial year (2011: Nil).

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. 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.

(ii) 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.

The options are not transferable and do not confer any right to participate in bonus issues or cash issues of ordinary shares. The option exercise price is adjusted for discounted cash issues, and the number of shares issued on exercise of an option is adjusted for bonus issues of shares. The options do not carry voting or dividend rights and are not listed for quotation on ASX.

Subject to certain performance conditions, two million options were exercisable not earlier than 1 March 2011; two million options were exercisable not earlier than 1 March 2012; and two million options were 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:

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(25) SHARE BASED PAYMENT PLANS (continued)

(b) Share based Long Term Incentive grants (continued)

(ii) 2008 Option Plan over ordinary shares to the entity's CEO ("2008 OP") (continued)

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 2012, 507,132 second tranche EPS options (2011: 742,904 first tranche EPS options) vested and 492,868 (2011: 257,096) EPS options lapsed. The value of the lapsed options as at the date of lapsing was $133,074 (2011: $63,524). Although the first tranche DPS options did not meet the minimum CAGR hurdle to vest in 2011, the DPS hurdle was subject to retesting in 2012 following the clarification of the option terms approved at the General Meeting of shareholders on 29 June 2011 resulting in 1,000,000 DPS options vesting in 2012. The second tranche DPS options did not meet the minimum CAGR hurdle to vest in 2012 and are similarly subject to retesting in 2013.

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 $206,439 for the 2012 financial year (2011: $361,803).

(iii) Holdings of Executive Directors and Senior Managers

Other than the ESP allotment in June 2012 to Messrs D. Kindlen, S.T. Phillipson and C.J. Kirby and the vesting of the CEO's options described above, there have been no allotments to KMP under any share based payment plan during the year ended 30 June 2012 (2011: ESP allotment of 350,000 to Ms J.E. Raffe).

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 24.

(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 2012 NAME	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Directors						
Graham W. Burke	5,742,904	–	–	(492,868)	5,250,036	2,250,036
Executives						
Nil						

30 JUNE 2011 NAME	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD	VESTED AND EXERCISABLE AT THE END OF THE YEAR
Directors						
Graham W. Burke	6,000,000	–	–	(257,096)	5,742,904	742,904
Executives						
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 2012

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS REMUNER ATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER	BALANCE AT THE END OF THE YEAR
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
Peter M. Harvie[6]	500,300	–	(42,900)	–	457,400
Executives					
Julie E. Raffe	700,000	–	–	–	700,000
Simon T. Phillipson[7]	200,000	200,000	–	–	400,000
Clark J. Kirby[7]	–	300,000	–	–	300,000
David Kindlen[7]	150,000	100,000	–	–	250,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(25) SHARE BASED PAYMENT PLANS (continued)

(c) Option holdings of Key Management Personnel (Consolidated) (continued)

(ii) Holdings of 'In Substance Options' of Key Management Personnel in shares in Village Roadshow Limited during the year and prior year (continued)

30 JUNE 2011

NAME	BALANCE AT THE START OF THE YEAR		GRANTED AS REMUNER ATION		ON EXERCISE OF OPTIONS	NET CHANGE OTHER		BALANCE AT THE END OF THE YEAR
	Ordinary	Preference	Ordinary	Preference	Ordinary/ Preference	Ordinary[1]	Preference[1]	Ordinary
Directors								
Peter M. Harvie	257,400	242,900	–	–	–	242,900	(242,900)	500,300
Executives								
Philip S. Leggo[2]	64,350	550,000	–	–	–	485,650	(550,000)	550,000
Julie E. Raffe[3]	–	350,000	350,000	–	–	350,000	(350,000)	700,000
Clark J. Kirby[4]	–	–	–	–	–	–	–	–
Simon T. Phillipson	–	400,000	–	–	–	200,000	(400,000)	200,000
Timothy Carroll[5]	–	500,000	–	–	–	300,000	(500,000)	300,000
David Kindlen	–	150,000	–	–	–	150,000	(150,000)	150,000

1 Includes movements from preference shares converted to ordinary shares on 16 November 2010.
2 On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.
3 Includes allotment of 350,000 ordinary shares on 29 November 2010.
4 Appointed to the Executive Committee on 1 December 2010.
5 On 29 April 2011 Mr. Carroll retired from the Executive Committee and ceased as KMP from that date.
6 Includes repayment of loan from dividends during the year.
7 Includes allotment of ordinary shares on 29 June 2012.

(iii) Holdings of 'In Substance Options' of Key Management Personnel in shares in Austereo Group Limited during the year and prior year

30 JUNE 2012

No KMP held any 'In Substance Options' in Austereo Group Limited for the 2012 year.

30 JUNE 2011

NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	NET CHANGE OTHER[1]	BALANCE AT THE END OF THE YEAR
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
Peter M. Harvie	1,025,000	–	–	(1,025,000)	–

1 Sold into takeover of Austereo Group Limited in March 2011.

(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[1]	WRITE-OFF	BALANCE AT THE END OF THE YEAR[2]	NUMBER IN GROUP AT THE END OF THE YEAR
	$	$	$	$	$	No.
Year ended 30 June 2012						
Directors	1,406,329	40,896	6,575	–	960,468	1
Executives	2,914,288	105,000	–	–	4,220,788	4
Total KMP	4,320,617	145,896	6,575	–	5,181,256	5
Year ended 30 June 2011						
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

(ii) Details of individuals with 'In Substance Option' loans above $100,000 in the reporting period are as follows:

30 JUNE 2012	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED[1]	WRITE-OFF	BALANCE AT THE END OF THE YEAR[2]	HIGHEST OWING IN PERIOD
	$	$	$	$	$	$
Directors						
Peter M. Harvie	1,406,329	40,896	6,575	–	960,468	1,408,456
Executives						
Julie E. Raffe	1,852,404	70,000	–	–	1,467,404	1,856,038
Simon T. Phillipson	606,791	20,000	–	–	1,124,791	1,235,829
Clark J. Kirby	–	–	–	–	942,000	942,000
David Kindlen	455,093	15,000	–	–	686,593	769,872

(25) SHARE BASED PAYMENT PLANS (continued)

(d) 'In Substance Option' Loans to Key Management Personnel (Consolidated) (continued)

(ii) Details of individuals with 'In Substance Option' loans above $100,000 in the reporting period are as follows: (continued)

30 JUNE 2011	BALANCE AT THE START OF THE YEAR	INTEREST CHARGED	INTEREST NOT CHARGED[1]	WRITE-OFF	BALANCE AT THE END OF THE YEAR[2]	HIGHEST OWING IN PERIOD
	$	$	$	$	$	$
Directors						
Peter M. Harvie	3,260,996	101,645	59,373	–	1,406,329	3,278,831
Executives						
Philip S. Leggo[3]	1,280,240	68,118	–	–	1,061,900	1,280,240
Julie E. Raffe	1,079,384	55,521	–	–	1,852,404	1,901,884
Simon T. Phillipson	920,114	40,000	–	–	606,791	920,114
Timothy Carroll[4]	1,226,330	30,000	9,659	–	910,186	1,226,330
David Kindlen	462,593	15,000	–	–	455,093	462,593

1 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.
2 Note that, as only selected movements are required to be disclosed, the figures in these tables may not add across.
3 On 29 April 2011 Mr. Leggo retired from the Executive Committee and ceased as KMP from that date.
4 On 29 April 2011 Mr. Carroll 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, for allotments up until 2011, 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. For allotments from 2012 onwards, 20 cents of every dividend per share is used to repay interest 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 was used to repay the interest accrued and 50% of any remaining dividend per share was 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.

(iv) Number and weighted average exercise prices ("WAEP") and movements of Options & 'In Substance Options' of Key Management Personnel during the year

	2012		2011	
	Number	WAEP – $	Number	WAEP – $
Outstanding at Beginning of Year	9,863,204	2.85	16,506,450	2.66
Granted during the Year	1,700,000	3.14	350,000	2.35
Forfeited/lapsed during the Year	–	–	(390,000)	3.37
Exercised during the Year	(62,900)	0.81	(6,346,150)	2.05
Expired during the year	(492,868)	3.00	(257,096)	3.00
Outstanding at the end of the Year	11,007,436	2.96	9,863,204	2.85
Exercisable at the end of the Year	6,027,436	2.92	5,020,204	2.89

(v) The outstanding balance as at 30 June 2012 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.

Executive Share Plan and Loan Facility: 5,500,000 'in substance options' over ordinary shares in the Company with issue prices ranging from $1.58 to $3.22.

Option Plan for CEO: 5,250,036 options over ordinary shares in the Company exercisable at $2.00 each with an expiry date of 1 March 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

	CONSOLIDATED 2012 $	2011 $

(26) 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 —

	2012 $	2011 $
Ernst & Young (Australia) —		
An audit or review of the financial report of VRL and any other entity in the VRL group	1,263,189	1,289,475
Other services in relation to VRL and any other entity in the VRL group		
– Tax	345,000	248,000
– Advisory / Corporate Finance	342,000	707,500
– Assurance related	33,000	57,000
	1,983,189	2,301,975
Auditors other than Ernst & Young (Australia) —		
An audit or review of the financial reports of any entity in the VRL group	–	40,362
Other services in relation to any entity in the VRL group		
– Tax	331,000	271,000
– Advisory / Corporate Finance	187,000	–
– Assurance related	6,000	7,000
	524,000	318,362
	2,507,189	2,620,337

(27) EVENTS SUBSEQUENT TO REPORTING DATE

There have been no material transactions which significantly affect the financial or operational position of the Group since the end of the financial year.

(28) 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 —

			CONTRIBUTIONS TO OPERATING PROFIT AFTER TAX	
Name	Principal Activity	% Interest Held 2012	2012 $'000	2011 $'000
Australian Theatres	Multiplex cinema operator	50.00%	29,022	23,514
Browns Plains Multiplex Cinemas	Multiplex cinema operator	33.33%	73	53
Carlton Nova / Palace	Cinema operator	25.00%	584	438
Castle Towers Multiplex Cinemas	Multiplex cinema operator	33.33%	1,101	789
Geelong Cinemas	Cinema operator	50.00%	653	488
Jam Factory Cinemas	Cinema operator	50.00%	285	4
Morwell Multiplex Cinemas	Cinema operator	75.00%	611	636
Mt. Gravatt Multiplex Cinemas	Cinema operator	33.33%	1,088	930
Village / GUO / BCC Cinemas	Cinema operator	50.00%	2,899	2,938
Village / Sali Cinemas Bendigo	Cinema operator	50.00%	799	790
Village Warrnambool Cinemas	Cinema operator	50.00%	206	1,175
Werribee Cinemas	Cinema operator	50.00%	650	336
			37,971	32,091

There were no impairment losses in the jointly controlled operations.

	CONSOLIDATED 2012 $'000	2011 $'000
Aggregate share of assets and liabilities in jointly controlled continuing operations —		
Current assets:		
Cash	12,042	10,210
Receivables	6,896	5,977
Inventories/Other	1,970	2,508
Non-current assets:		
Property, plant & equipment and intangibles	76,829	77,663
Receivables/Other	3,829	3,354
Current liabilities:		
Payables	(14,883)	(14,223)
Borrowings/Provisions/Other	(5,393)	(5,792)
Non-Current liabilities:		
Payables	(1,129)	(842)
Borrowings/Provisions/Other	(3,484)	(3,019)
Share of net assets of jointly controlled operations	76,677	75,836

(29) SEGMENT REPORTING[1]

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		OTHER[2]		TOTAL	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
(a) Reporting by operating segments – continuing operations:										
Segment revenue – services	182,851	183,728	184,484	179,846	206,459	185,006	–	–	573,794	548,580
Segment revenue – goods	94,861	95,465	60,753	55,730	180,822	204,879	–	–	336,436	356,074
Total segment revenue	277,712	279,193	245,237	235,576	387,281	389,885	–	–	910,230	904,654
Plus: Non-segment revenue							17,383	18,003	17,383	18,003
Less: Inter-segment revenue	–	–	–	–	(20,240)	(17,417)	(2,095)	(1,386)	(22,335)	(18,803)
Total Revenue									905,278	903,854
Segment results before tax	28,492	31,112	34,043	28,355	41,489	35,479	–	–	104,024	94,946
Non-segment result (Corporate) before tax	–	–	–	–	–	–	(28,990)	(47,823)	(28,990)	(47,823)
Operating profit (loss) before tax – segment purposes	28,492	31,112	34,043	28,355	41,489	35,479	(28,990)	(47,823)	75,034	47,123
Unrealised mark to market profits (losses) on interest rate and foreign currency derivatives not designated in hedging relationships									(5,508)	1,283
Impairment, write-downs and provisions relating to non-current assets and onerous lease (including $4.709 million equity-accounted in 2011)									(2,750)	(24,807)
Equity accounted losses on net investments									–	(32,332)
Restructuring costs									–	(4,360)
Operating profit (loss) before tax									66,776	(13,093)
Income tax (expense) benefit									(33,005)	41,182
Total profit after tax from continuing operations per the statement of comprehensive income									33,771	28,089
Interest income	498	497	1,034	845	1,580	1,792	10,387	10,420	13,499	13,554
Finance costs before fair value change on derivatives	25,795	24,939	5,130	6,382	8,075	9,916	2,159	11,354	41,159	52,591
Finance costs – fair value change on derivatives									5,533	(1,364)
Total finance costs									46,692	51,227
Depreciation and amortisation expense	33,575	31,668	13,001	12,492	2,768	6,915	2,618	3,296	51,962	54,371
Equity accounted net profit (loss)									5,766	(36,135)
Non-cash expenses other than depreciation	6	12	79	41	–	122	26	134	111	309
Capital expenditure	45,197	38,164	11,949	20,503	2,130	2,381	9,094	3,779	68,370	64,827

(b) Reporting by geographic regions:	AUSTRALIA		UNITED STATES OF AMERICA		NEW ZEALAND		OTHER		TOTAL	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revenue – continuing operations	831,701	853,496	52,181	19,497	18,386	30,861	3,010	–	905,278	903,854
Non-current assets	887,929	803,733	58,466	59,655	385	768	57	13,049	946,837	877,205

1 Description of Reportable Segments:
Theme Parks: Theme park and water park operations
Cinema Exhibition: Cinema exhibition operations
Film Distribution: Film, DVD & video distribution operations

2 The 'Other' column represents financial information which is not allocated to the reportable segments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(30) DISCONTINUED OPERATIONS

There were no discontinued operations in the year ended 30 June 2012. As advised in a number of announcements to the Australian Securities Exchange ("ASX") during the year ended 30 June 2011, the VRL group 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 was accounted for as being 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.

Details of the results of those discontinued operations for the current and previous corresponding periods are as follows:

	CONSOLIDATED	
	2012 $'000	2011 $'000
(i) Comprehensive Income Information:		
Revenues	–	236,946
Other income	–	203,707
Share of associates profits	–	1,726
Finance costs	–	(12,618)
Expenses excluding finance costs	–	(169,960)
Profit (loss) from discontinued operations before tax	–	259,801
Income tax expense	–	(83,618)
Profit from discontinued operations after tax	–	176,183
Non-controlling interest	–	18,756
Profit after tax attributable to owners of the parent	–	157,427
(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
Net investing cash flows	–	533,168
Net financing cash flows[1]	–	(100,565)
Total net cash flows	–	487,333
(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
Net assets disposed of	–	346,805
Gain on disposal of net assets before income tax	–	201,043
Tax expense relating to disposal of net assets	–	(66,793)
Gain on disposal of net assets after income tax	–	134,250
(iv) Net cash inflow on disposal:		
Cash and cash equivalents consideration	–	547,848
Less cash and cash equivalents balance disposed of	–	–
Reflected in the statement of cash flows	–	547,848
(v) Earnings per share (cents per share):		
— Basic and diluted from discontinued operations	–	115.29

[1] Included in the discontinued net financing cashflows for 2011 are dividends paid by Austereo Group Limited to Village Roadshow Limited of $19.4 million.

	CONSOLIDATED	
	2012 $'000	2011 $'000

(31) PARENT ENTITY DISCLOSURES

(a) Summary financial information

	2012 $'000	2011 $'000
Current assets	4,909	864
Total assets	353,888	626,177
Current liabilities	10,586	66,412
Total liabilities	12,434	67,651
Issued capital	222,853	250,409
Retained earnings	111,595	301,481
Employee equity benefit reserve	7,006	6,636
Total shareholders' equity	341,454	558,526
Profit (loss) after tax	(38,417)	4,879
Total comprehensive income (expense)	(38,417)	4,879

(b) Financial guarantees

	2012 $'000	2011 $'000
Financial guarantees[1]	891	1,293

(c) Franking credit balance

	2012 $'000	2011 $'000
Amount of franking credits available as at year-end	8,896	1,283
Franking credit movements from payment (refund) of VRL's provision for tax recorded at year-end	(2,799)	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	6,097	(2,871)

(d) Contingent liabilities[2]

	2012 $'000	2011 $'000
(i) Bank guarantees for commitments of subsidiaries	7,545	2,573
(ii) Several corporate guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	47,578	52,725
(b) Guarantees for joint ventures	18,050	19,142
(iii) Other corporate guarantee commitments		
(a) Guarantees in respect of subsidiaries' commitments	–	3,000
(b) Guarantees in respect of associated entities' banking facilities	3,864	3,787
	77,037	81,227

1 VRL has provided financial guarantees to a number of its subsidiaries, 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).

2 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.

(32) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(32) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

Cash flow interest rate risk (continued)

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	
	2012 $'000	2011 $'000
Financial assets: Cash and cash equivalents	193,574	431,670
Financial Liabilities: Secured and unsecured borrowings	407,467	484,925
Net exposure	213,893	53,255

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 $276.8 million (2011: $333.8 million). These interest rate derivatives covered approximately 62% (2011: 69%) of total borrowings of the Group as at reporting date. The majority (by value) of the interest rate derivatives mature in 2012 to 2015 (2011: 2011 to 2015), 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 2012 and 30 June 2011, 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)	
Sensitivity analysis	2012 $'000	2011 $'000	2012 $'000	2011 $'000
CONSOLIDATED				
If interest rates were 100 basis points higher with all other variables held constant	695	2,747	348	–
If interest rates were 100 basis points lower with all other variables held constant	(1,127)	(2,102)	(390)	–

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. 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 2012 and 30 June 2011, the Group had hedged the majority (by value) of foreign currency purchases that were firm commitments.

As at 30 June 2012 and 30 June 2011, 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.

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 in the statement of financial position.

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.

(32) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

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.

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 2012, 8% (2011: 10%) 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 2012. 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 2012.

	1 YEAR OR LESS		OVER 1 YEAR TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
CONSOLIDATED	2012 $ '000	2011 $ '000	2012 $ '000	2011 $ '000	2012 $ '000	2011 $ '000	2012 $ '000	2011 $ '000
(i) Financial assets								
Cash	193,574	431,670	–	–	–	–	193,574	431,670
Receivables and other advances	116,198	98,862	12,645	10,148	–	–	128,843	109,010
Derivatives	20,295	25,347	2,930	15,017	–	–	23,225	40,364
Security deposits	–	–	–	–	1,297	1,279	1,297	1,279
Total financial assets	330,067	555,879	15,575	25,165	1,297	1,279	346,939	582,323
(ii) Financial liabilities								
Trade and other payables	179,080	150,450	62,395	30,504	–	–	241,475	180,954
Secured and unsecured borrowings	71,801	88,727	454,754	507,974	32,746	34,187	559,301	630,888
Finance lease liabilities	77	80	–	179	–	–	77	259
Derivatives	23,631	26,103	7,568	18,723	–	–	31,199	44,826
Total financial liabilities	274,589	265,360	524,717	557,380	32,746	34,187	832,052	856,927
Net maturity	55,478	290,519	(509,142)	(532,215)	(31,449)	(32,908)	(485,113)	(274,604)

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 $136.5 million as at 30 June 2012 (2011: $8.0 million).

(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 restructured during the years ended 30 June 2011 and 2012, 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 cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(32) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Terms, conditions and accounting policies (continued)

(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 or collars (refer 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 (2011: 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.

In the year ended 30 June 2011, 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 remaining preference shares were varied to become ordinary shares.

(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	
CONSOLIDATED	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Financial assets:				
Cash	193,574	431,670	193,574	431,670
Trade & other receivables	127,384	108,665	127,384	108,665
Unsecured advances	1,459	345	1,459	318
Available for sale investments	2,997	302	2,997	302
Derivatives	–	2	–	2
Security Deposits	1,297	1,279	1,297	1,279
Total financial assets	326,711	542,263	326,711	542,236
Financial liabilities:				
Trade and other payables	241,475	180,954	241,475	180,954
Secured and unsecured borrowings	447,467	484,925	364,473	380,372
Finance lease liabilities	77	259	72	230
Derivatives	7,923	4,277	7,923	4,277
Total financial liabilities	696,942	670,415	613,943	565,833

(32) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Fair values (continued)

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.

	2012		2011	
	Valuation technique – market observable inputs (Level 2) $'000	Total $'000	Valuation technique – market observable inputs (Level 2) $'000	Total $'000
Financial assets:				
Derivatives	–	–	2	2
Total financial assets	–	–	2	2
Financial liabilities:				
Derivatives	7,923	7,923	4,277	4,277
Total financial liabilities	7,923	7,923	4,277	4,277

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.

(e) Derivative financial instruments

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current assets:		
Forward currency contracts – cash flow hedges	–	2
	–	2
Current liabilities:		
Interest rate swap contracts – held for trading	728	95
Interest rate swap contracts – cash flow hedges	37	–
Interest rate collars – held for trading	2,212	648
Forward currency contracts – held for trading	–	25
Forward currency contracts – cash flow hedges	586	2,095
	3,563	2,863
Non-current liabilities:		
Interest rate swap contracts – held for trading	239	64
Interest rate swap contracts – cash flow hedges	5	–
Interest rate collars – held for trading	4,084	923
Forward currency contracts – cash flow hedges	32	427
	4,360	1,414

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2012

(32) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Derivative financial instruments (continued)

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 2012 and 30 June 2011:

	NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE	
	2012 $'000	2011 $'000	2012	2011
Consolidated:				
USD hedges	(373)	(2,343)	0.9800	0.9556
GBP hedges	(105)	(177)	0.6180	0.6180
EUR hedges	(140)	–	0.7610	–

(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 2012 and 30 June 2011:

	NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE	
	2012 $'000	2011 $'000	2012	2011
Consolidated:				
CAD derivatives	–	(25)	–	0.8874

(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. At reporting date, the principal amounts and period of expiry of the interest rate swap contracts were as follows:

	CONSOLIDATED	
	2012 $'000	2011 $'000
0-1 years	(37)	–
1-2 years	(5)	–
	(42)	–

(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:

0-1 years	(728)	(95)
1-2 years	(239)	(64)
	(967)	(159)

(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:

0-1 years	(2,212)	(648)
1-2 years	(3,009)	(384)
2-5 years	(1,075)	(539)
	(6,296)	(1,571)

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.

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(33) 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	
	2012 $'000	2011 $'000
Management & service fee revenue	1,978	2,083
Interest revenue [1,2]	641	1,662
Guarantee fees received	–	1,054
Film hire and other film expenses (paid by the VRL group to entities in the Village Roadshow Entertainment Group Limited group)	23,447	19,179
Management fees paid	–	1

1 Refer Note 32 for interest rate risk on loans to associated entities.
2 Refer also to Note 11 in relation to the loan facility between the VRL group and Village Roadshow Entertainment Group (Asia) Limited, and the loan amounts advanced and repaid (including interest) in the year ended 30 June 2012.

Receivables and payables

Amounts receivable from, or payable to, associated entities have been separately disclosed in Notes 7 and 15.

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 2012 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 2012.

On behalf of the Board

G W Burke.

G.W. Burke
Director

Melbourne, 6 September 2012

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INDEPENDENT AUDITOR'S REPORT

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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 2012, 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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner

Melbourne
6 September 2012

Liability limited by a scheme approved under Professional Standards Legislation.

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SHARE REGISTER INFORMATION

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

Substantial Shareholders

Notices of substantial shareholders received as at 10 September 2012 and the number of ordinary shares held:

Name	Ordinary Shares	% of Total
Village Roadshow Corporation Pty Limited	77,859,352	51.45
Vijay Vijendra Sethu	10,592,417	6.99

Distribution of Ordinary Security Holders

As at 10 September 2012

Category of Holding	Number of Holders	%	Number of Units	%
1 – 1,000	2,251	45.67	1,358,543	0.89
1,001 – 5,000	1,871	37.96	4,609,771	3.01
5,001 – 10,000	437	8.87	3,237,881	2.11
10,001 – 100,000	307	6.23	8,140,476	5.31
100,001 and over	63	1.27	135,893,418	88.68
	4,929	100.00	153,240,089	100.00
Number of holdings less than marketable parcel (147 shares)	83		4,049	

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 Ordinary Security Holders

As at 10 September 2012

Name of Holder	Shares	%	Rank
Village Roadshow Corporation Pty Ltd	74,517,432	48.63	1
Citicorp Nominees Pty Limited	17,544,750	11.45	2
National Nominees Limited	9,535,698	6.22	3
UBS Nominees Pty Ltd	3,924,283	2.56	4
J P Morgan Nominees Australia Limited	3,114,076	2.03	5
Ravenscourt Pty Ltd	2,825,502	1.84	6
HSBC Custody Nominees (Australia) Limited	2,556,840	1.67	7
Brispot Nominees Pty Ltd ‹House Head Nominee No 1 A/C›	2,056,914	1.34	8
CS Fourth Nominees Pty Ltd	1,675,517	1.09	9
Mutual Trust Pty Ltd	1,510,680	0.99	10
Mr Graham William Burke	1,341,920	0.88	11
Aust Executor Trustees Ltd ‹Lanyon Aust Value Fund›	1,052,429	0.69	12
Mr John Kirby	1,000,000	0.65	13
Mr Robert George Kirby	1,000,000	0.65	14
Mr Anthony Huntley	801,500	0.52	15
Ms Julie Raffe & Raffe Nominees Pty Ltd ‹Raffe Family A/C›	700,000	0.46	16
Mr Simon Phillipson & Ms Yolande Phillipson	600,000	0.39	17
Mr Christopher B Chard	554,000	0.36	18
Mr Philip S Leggo & Ms Elizabeth Leggo	550,000	0.36	19
HSBC Custody Nominees (Australia) Limited – GSCO ECA	507,204	0.33	20
TOTAL	127,368,745	83.11	

ADDITIONAL INFORMATION (CONTINUED)

FIVE YEAR FINANCIAL SUMMARY

	2012	2011	2010	2009	2008
Operating Results – Continuing Operations ($'000)					
Total revenue	905,278	903,854	942,023	920,222	859,701
EBITDA before material items	154,656	140,531	146,977	127,906	139,077
EBIT before material items	102,694	86,160	93,435	74,159	76,092
Net interest expense	27,660	39,037	44,098	38,873	38,007
Tax expense, excluding tax on material items	22,202	15,870	14,306	10,157	10,032
Net profit excluding material items attributable to members	52,832	31,253	35,031	25,129	28,053
Total dividends declared[1,3]	33,507	24,233	14,952	31,586	67,492
Statement of Financial Position ($'000)					
Total shareholders' equity	522,811	666,717	686,261	709,081	732,763
Net borrowings	253,970	53,514	827,093	899,905	872,277
Funds employed	776,781	720,231	1,513,354	1,608,986	1,605,040
Total assets	1,332,768	1,472,104	2,027,820	2,192,460	2,177,614
Other Major Items ($'000)					
Capital expenditure (including investments)	72,923	88,643	62,527	122,404	261,599
Depreciation & amortisation expense	51,962	54,371	53,542	53,747	62,985
Ratios					
Return on average total shareholders' equity (%)	9.9	4.6	5.0	3.5	4.1
EBIT/average funds employed (%)	13.7	7.7	6.0	4.6	4.1
Net debt/total capital (%)	32.7	7.4	54.7	55.9	54.3
Interest cover (times)	3.7	2.2	2.1	1.9	2.0
Per Share Calculations					
EPS pre-material items and discontinued operations (cents per share)[2]	34.4	20.1	18.5	11.2	11.5
EPS including material items and discontinued operations (cents per share)[2]	22.0	119.2	50.1	5.6	105.7
Dividends – ordinary shares (cents per share)[3]	22.00	16.00	6.00	12.75	16.50
Dividends – preference shares (cents per share)[3]	–	–	9.00	15.75	19.50
Net tangible assets ($ per share)	1.50	2.48	(1.74)	(1.18)	(1.25)
Net tangible assets plus Radio Licences (to 2010) ($ per share)	1.50	2.48	1.01	0.84	0.77
Other					
Accumulation index – Ordinary shares (index base 1,000 as at 1 July 2007)[4]	1,833	1,683	858	362	736

1 Represents dividends on ordinary shares and, to 2010, on ordinary and preference shares.
2 Represents Diluted EPS (ordinary shares) for 2012, and Total EPS (ordinary & preference shares) up to 2011.
3 From 2011 onwards, represents amounts declared in relation to the relevant financial year (previously amounts declared in each financial year). Excludes distributions and special dividends.
4 Represents value of $1,000 invested on 1 July 2007 with all dividends reinvested.

CORPORATE DIRECTORY

Contact Information

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Investor Inquiries

To ensure shareholders and other interested parties can keep up to date on the Company, Village Roadshow Limited's website contains information on the Company including its business unit profiles, result announcements, stock exchange releases and other information for investors. The site can be accessed at **www.villageroadshow.com.au**

Please contact the Company's share registry for all inquiries on your Village Roadshow shareholding, such as confirmation of shareholding details and change of address advice.

Share Registry

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VILLAGE ROADSHOW LIMITED

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