# ANNUAL REPORT 2013


VILLAGE ROADSHOW LIMITED

# PROFILE

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

## THEME PARKS

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

On Queensland's Gold Coast VRL has:

- Warner Bros. Movie World, the popular movie-themed park;
- Sea World, Australia's premier marine theme park;
- Wet 'n' Wild Water World, one of the world's largest and most successful water parks;
- Sea World Resort and Water Park, and Sea World Helicopters; and
- Australian Outback Spectacular, Paradise Country and Village Roadshow Studios.

Construction of Wet 'n' Wild Sydney is proceeding to plan and will open in December 2013.

VRL's overseas theme parks include:

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

## CINEMA EXHIBITION

Showing movies has a long tradition with Village Roadshow, having started in 1954 with the first of its drive–in cinemas. Today Village Cinemas jointly owns and operates a combined 680 screens at 72 sites with 514 screens across 51 sites in Australia, 87 screens at 11 sites in Singapore, 67 screens at 9 sites in the United States and 12 screens in the UK.

VRL continues to lead the world with industry trends including stadium seating, 3D blockbuster movies and the growth category of premium cinemas including Gold Class and Vmax.

## FILM DISTRIBUTION

Originally started by Village Roadshow in the late 1960's, Roadshow Films has grown into Australasia's largest independent film distributor, distributing films to cinemas nationally as well as DVDs to major retailers. Roadshow is a major force in film distribution in all mediums in Australia.

Roadshow enjoys long standing distribution agreements and relationships with key film suppliers, such as Warner Bros. (since 1971), ABC, BBC, Lionsgate, Nu Image, Film Nation, Relativity, The Weinstein Company and Village Roadshow Pictures. VRL also has film distribution operations in New Zealand.

## FILM PRODUCTION

Village Roadshow has been involved in the movie business since the 1960's. Jointly owned with other leading investors in the entertainment industry, Village Roadshow Entertainment Group now consists of Village Roadshow Pictures and Village Roadshow Pictures Asia.

Village Roadshow Pictures is one of the leading independent Hollywood movie producers, having won 8 Academy Awards and 4 Golden Globe Awards for films including *Training Day*, *Mystic River* and *Happy Feet*. Since its inception in 1997, Village Roadshow Pictures has produced and released 74 films with global box office takings of over US$12 billion including blockbuster hits such as *The Matrix* trilogy, the *Ocean's* trilogy, *Charlie And The Chocolate Factory*, *Happy Feet*, *I Am Legend*, *Sherlock Holmes* and *The Great Gatsby*.

Village Roadshow Pictures Asia released its first two films during the year including *Journey to the West* which achieved the highest opening day box office for a Chinese film in China and was the second highest grossing Chinese film in history.

**Images on front cover (clockwise)** - *The Great Gatsby, Man of Steel*, Warner Bros. Movie World, Village Cinemas: Gold Class, Sea World Dolphins

**Images from left** - Village Cinemas, Wet 'n' Wild: Constrictor, *The Dark Knight Rises*.

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**The VRL group** has again produced a solid operating result for the year ended 30 June 2013 with robust and durable earnings from its core businesses.

**Images from left** - Village Cinemas, Sea World, *The Hobbit*

# TO OUR SHAREHOLDERS

The Board of Village Roadshow Limited ("VRL") is pleased to report a very solid year of operating results in what was a challenging trading environment during the 2013 financial year. This is the direct outcome of continued focus on our core businesses and most importantly providing our customers with an escape from the day to day…

***"People will always want to go out"***

This has been and remains the simple mantra of our business. Staying true to this and ensuring all our businesses deliver a superior entertainment offering through utilising the latest technology and quality of product. Through the Company's well-known brands in Theme Parks, Cinema Exhibition, Film Distribution and Film Production, Village Roadshow offers superior quality venues and entertainment offerings coupled with unrivalled marketing expertise. In difficult economic times the Company offers the public good value entertainment 'escapes' to its customers which encourages them to come back for more.

The VRL group achieved an attributable net profit after tax of $50.9 million for the year ended 30 June 2013, a 50.8% increase compared to the result of $33.8 million in the 2012 financial year, which included losses after tax from material items of $6.3 million in the year ended 30 June 2013 and $19.1 million in the prior year.

The VRL's group's attributable operating profit after tax, before discontinued operations and material items for the year ended 30 June 2013 was $57.2 million, up 8.2% on the prior year result of $52.8 million. Further details are provided in the Reconciliation of Results, forming part of the Directors' Report, on page 14.

Pleasingly, diluted earnings per share before material items and discontinued operations were 36.2 cents per share, up by 5.2% compared to the prior year result of 34.4 cents per share. Solid trading by the Company's businesses and careful cost control enabled VRL to record earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations ("EBITDA") for the year ended 30 June 2013 of $164.0 million, up 6.0% on the prior year result of $154.7 million.

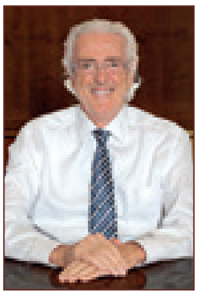
The Board of Directors is pleased to continue the Company's ongoing dividend program, having distributed $41.5 million in dividends to shareholders in relation to the 2013 financial year with a fully-franked interim dividend of 13 cents per share paid in March 2013, and a fully-franked final dividend of 13 cents per share paid in October 2013, up from last year's unfranked dividends of 12 and 10 cents per share paid in March and October 2012 respectively.

In addition to solid trading performances of the Company's businesses, there have been a number of significant milestones and highlights during the year.

Our Cinema Exhibition division enjoyed all time record profits due to strong product, expansion of Vmax and Gold Class concepts and major refurbishments of existing sites. These initiatives have been enthusiastically embraced by customers. In addition, the digital projection program completed last year has realised operational benefits as well as offering technological superiority for our cinema patrons.

Despite poor weather during key trading periods, our Gold Coast–based theme parks produced a near record result driven by the strength of the successful 'VIP' pass strategy. In addition, construction of the new Wet'n'Wild Sydney water theme park continued, and this new water park is on track to open to the public in December this year. The Company also continued its push into Asia, with a management agreement being signed for a major theme park on

**ROBERT G. KIRBY**
EXECUTIVE CHAIRMAN



**GRAHAM W. BURKE**
CHIEF EXECUTIVE OFFICER

| **FINANCIAL SUMMARY** ($M unless stated otherwise) | 2013 | 2012 | % Change |
|---|---|---|---|
| Net profit after tax from continuing operations | 51.1 | 33.8 | Up 51.3% |
| Attributable net profit after tax | 50.9 | 33.8 | Up 50.8% |
| Attributable net profit excluding material items and discontinued operations | 57.2 | 52.8 | Up 8.2% |
| EBITDA before material items and discontinued operations | 164.0 | 154.7 | Up 6.0% |
| Total dividends declared | 41.5 | 33.5 | Up 23.7% |
| Total shareholders' equity | 572.1 | 522.8 | Up 9.4% |
| Return on average total shareholders' equity (%) | 10.4 | 9.9 | Up 0.5% |
| EPS pre-material items and discontinued operations (cents per share) | 36.2 | 34.4 | Up 5.2% |
| Dividends - ordinary shares (cents per share) | 26.0 | 22.0 | Up 18.2% |

*Refer to 5 Year Summary on page 76 for further details in relation to the above disclosures.*

Hainan Island in China which is currently under construction, with the first phase scheduled to open late calendar 2014, coupled with active investigations into other development opportunities in Asia.

In Film Distribution we maintained our leading market share and renewed our major producer contracts, including Warner Bros., ABC, BBC, Relativity and Lionsgate during the year. The film product from these suppliers powered significant success at the Australian Box Office including *The Dark Knight Rises*, *The Hobbit* and *Man of Steel* from Warner Bros. and *The Great Gatsby* from Village Roadshow Pictures.

The worldwide success of *The Great Gatsby* was the highlight for our Film Production division during the year. The division sold its music business in early 2013 to concentrate on its core movie business both in Hollywood and in Asia, and is in the process of increasing its film output to 6 to 8 movies per year.

The Company has also continued development of its digital businesses during the year including acquiring the Edge Loyalty business and subsequently relaunching the MyFun website.

The strong financial results over a number of years, including in 2013, have been recognised by the market with the Company's share price performing strongly and culminating in VRL being included in the S&P ASX300 Index in September this year.

Summary details of the Company's financial performance for the last two years are shown in the table above, and for the past five years are shown in the Additional Information section on page 76 of this annual report.

The robust cash flows produced by VRL's established operations provide a strong platform from which to build the existing businesses and to drive further growth opportunities.

## THEME PARKS

Village Roadshow Theme Parks ("VRTP") is Australia's largest theme park operator. VRTP recorded its second highest EBITDA result in 2013 with a 2.3% increase in EBITDA to $89.3 million, up $1.9 million on the previous year. Operating profit before tax, discontinued operations and material items was up $2.0 million or 7.2% on the prior year. This performance was achieved despite inclement weather on the Gold Coast during key holiday periods in the second half of the financial year. The 2013 result also includes a $2.0 million write-off of pre-opening costs for Wet'n'Wild Las Vegas.

The Gold Coast Theme Parks division of VRTP includes Warner Bros. Movie World, Sea World, Wet'n'Wild Gold Coast, Australian Outback Spectacular, Paradise Country, Village Roadshow Studios, Sea World Resort & Water Park and Sea World Helicopters.

During the year our Gold Coast parks launched a number of appealing capital product additions, such as our *Dinosaur Island* special event attraction at Sea World in July 2012, followed by *Seal Harbour* in December 2012, and the *Justice League 3D* interactive dark ride at Warner Bros. Movie World and the *Constrictor* water slide at Wet'n'Wild over the September school holiday period. These attractions, and the success of the popular Annual Pass ("VIP") ticket program and the multi-park pass offerings, enabled VRTP to secure significant market share.

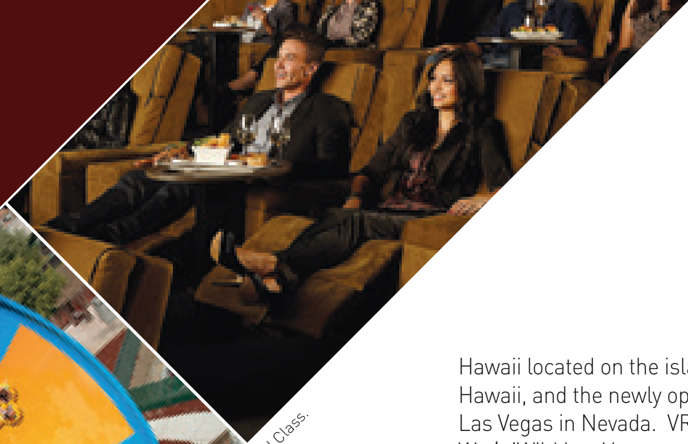
These successful initiatives, together with improving economic conditions and initially better weather, enabled the Gold Coast parks to enjoy a very strong first half-year performance. Unfortunately, the second half of the financial year was marked by the return of wet weather in key trading periods. Despite the subsequent poor weather, attendance at the major parks was up 709,000 visitors for the 2013 year, to a total of 5.4 million visitors, an increase of 15.3% compared to the prior year. Total revenue was up $14.4 million or 5.6% and EBITDA was up $1.5 million or 1.8% on the prior year.

The division's ongoing focus on VIP sales underpinned the financial performance of the Gold Coast parks. The combination of strong unit sales and a consistently high yield delivered a $3.8 million increase in admissions revenue to $139.3 million, an increase of 2.8% over the previous financial year. It should also be noted that the higher VIP unit sales played a major role in the attendance increase, resulting in an in-park revenue increase of $9.3 million or 10.6% over the previous financial year.


**images from left** - The Lego Movie, Warner Bros. Movie World: The Green Lantern, Sea World polar bear cub.

**Village Roadshow Theme Parks** is Australia's largest theme park operator.

**Village Cinemas** has been showing movies for nearly 60 years and continues to be at the forefront of developments in the industry.



**Images from left** - Warner Bros. Movie World, Wet'n'Wild: *Tornado*, Village Cinemas: Gold Class.

Warner Bros. Movie World continues to anchor the Gold Coast parks, with attendances being supported by the strong visitation from the VIP pass program and the continued success of the highly popular DC super hero attractions, including the *Green Lantern* steel coaster, the *Batman: Arkham Asylum* ride and the September 2012 opening of *Justice League*. The continued success of the teen/young adult oriented *Halloween Fright Nights*, and the family-focussed *White Christmas* events further buoyed the park with multiple sell-out performances. Warner Bros. Movie World attendances for the financial year exceeded 2 million visitors for the first time ever, up 17.5% over the previous financial year.

Strong VIP sales, good weather in the first half of the financial year and the new attractions of *Dinosaur Island* and *Seal Harbour* combined with the popularity of existing attractions, such as the *Nickelodean Parade*, drove the financial year results at the Sea World theme park. Sea World attendance was up 17.8% from the prior year. *The Bermuda Triangle* ride was decommissioned during the year with Australia's first exhilarating hybrid steel/ water coaster ride, *Storm Coaster*, due to open in its place in October 2013.

The 405 room Sea World Resort & Water Park delivered another record EBITDA performance. The positioning of the property as the Sea World Resort & Water Park continues to provide the resort with a competitive advantage and a solid marketing foundation for the future. The Sea World Resort & Water Park's strong performance was reflected in its occupancy, up 4.4% on the previous financial year, and the average room rate, up 11.5% over the prior year. We are also investing in a new Convention Centre to complement the increasingly successful resort, due to open in September 2015.

The successful opening in September 2012 at Wet'n'Wild Gold Coast of the new *Constrictor* water slide – the new broad-thrill water slide and the Travel Channel's fourth ranked slide in the world – together with improved weather conditions in the first half of the financial year and strong VIP sales, combined to drive a strong financial year performance with attendances up 17.4% on the prior year.

The Company's Australian Outback Spectacular, Sea World Helicopters and Paradise Country all complement our main Gold Coast businesses.

Advance sales of VIP packages have remained strong since year end, and the much anticipated public debut of Sea World's polar bear cub and the exciting opening of the *Storm Coaster* will underpin the performance of the Gold Coast theme parks for the coming financial year.

VRTP's USA Water Parks division now consists of three water parks, Wet'n'Wild Phoenix located in Arizona, Wet'n'Wild Hawaii located on the island of Oahu, Hawaii, and the newly opened Wet'n'Wild Las Vegas in Nevada. VRTP opened Wet'n'Wild Las Vegas, on time and on budget, on Memorial Day weekend in the USA in late May 2013. VRTP acquired 51% of the park in September 2012, and has a management contract with responsibility for the day to day operations of the property. Trading has been very solid since opening but the new park's results were impacted by approximately $2 million in non-recurring pre-opening expenses. Wet'n'Wild Hawaii and Wet'n'Wild Phoenix both enjoyed solid 2013 performances with strong season pass sales and a disciplined approach to expense control.

Construction is well progressed at Wet'n'Wild Sydney with this major project on schedule for its eagerly anticipated opening to the public in December 2013. We consider this new water theme park will be the best water park in the world and will feature state of the art attractions, including a combination Lazy/Action River, Australia's largest Wave Pool and a range of spectacular water slides/attractions unmatched by any water park in the world.

VRTP is also moving forward with its partner in China, Guangzhou R&F Properties Co. Ltd., to manage the theme park currently under construction on Hainan Island. The mega-park will include a wide array of marine exhibits, cutting edge thrill rides and a large water park. The first phase of the park is currently scheduled to open in late 2014. VRTP's primary focus in the future will be to explore development and management opportunities and to profitably leverage its theme park expertise into the vibrant, growing theme park industry in Asia.

## CINEMA EXHIBITION

VRL's Cinema Exhibition division operates predominantly in Australia, Singapore and the United States through joint ventures, including with Amalgamated Holdings in Australia and other cinema operators. Village Cinemas has been showing movies for nearly 60 years and continues to be at the forefront of developments in the industry. This includes the successful Gold Class and Vmax concepts which add fashion and excitement to the movie-going experience. We were also the first Australian cinema major to convert all of its screens in 2012 to the technologically superior digital format, which enabled us to screen alternative product at our cinemas including *Andre Rieu Live 2012 Hometown Concert*, *Hungarian Rhapsody: Queen Live in Budapest '86* and the *Disney Princess* campaign.

At the end of June 2013, Village Cinemas has interests in a total of 680 screens at 72 sites, being 514 screens at 51 cinema locations in Australia, 11 sites with 87 screens in Singapore, 9 sites with 67 screens in its USA cinema circuit and one residual site in the UK with 12 screens.

In Australia, Village Cinemas generated operating profit before tax, discontinued operations and material items for the year ended 30 June 2013 of $36.1 million, an increase of 14.6% compared to $31.5 million in the previous year and EBITDA increased by 11.7% on the prior year. The outstanding performance was driven by higher average ticket prices as a result of converting more patrons to premium offerings, and growth in other revenue streams, including screen advertising revenue and online sales. There was also a 5% growth in patrons' spend on food and beverage items accompanied by improvements in food and beverage and payroll costs.

There were a number of films which performed well during the 2013 financial year, including strong performances from the new *Bond; Skyfall* - the highest grossing movie of the 2013 financial year – as well as *The Hobbit*, *The Dark Knight Rises*, *Iron Man 3*, *Ted*, *Looper*, the final instalment of *Twilight: Breaking Dawn 2*, and *Madagascar 3*, with solid performers including *Django Unchained* and *The Silver Linings Playbook*. The year finished with strong releases opening each week in June, including: *The Hangover Part 3*, *The Great Gatsby*, *Despicable Me 2* and *Monsters University*, followed after year-end by *Man of Steel*.

During the year, the division focused on expanding its Gold Class and Vmax offerings, where we currently have 76 Gold Class screens and 35 Vmax screens across Australia. This expansion will continue in 2014, particularly at Fountain Gate in Victoria and Hurstville in New South Wales. Village Cinemas also continues its refurbishment program with major works taking place at Crown Casino and Jam Factory in Melbourne. Village Cinemas was also successful in buying out our partner's 50% interest in the four Tasmanian sites during the 2013 financial year. In the 2014 financial year, the division is expected to continue its refurbishment program and to open one further site in Queensland, with further new cinema sites in various stages of planning.

The Company's jointly-owned Golden Village cinema circuit in Singapore experienced a record twelve months, with paid admissions finishing 9% higher and underlying operating profit up 29% on the prior year. Driving this growth was an increase in average ticket prices and a reduction in advertising and film hire costs. During November 2012, the wonderful new site at City Square was opened and has been trading very strongly. Later in 2014 a further much anticipated site at Suntec City will be opened which will comprise 11 screens including Vmax and Gold Class. This new location is second to none in Singapore and we expect it will be the jewel in the crown when it opens.

Our 30% owned Gold Class USA circuit, which trades as iPic Theaters, exceeded expectations during the year. Based on our unique Gold Class concept pioneered in Australia, the business has successfully introduced a number of innovative add-on revenue concepts for our US cinema destinations. iPic is cash flow break even, before taking into account any impact of interest and depreciation, and is on track to build a great asset as a critical mass of sites is reached over time. The business has continued its expansion objectives with a number of additional sites in negotiation, with two new iPic sites expected to open in the 2014 financial year including a 'super site' on Wilshire Boulevard in Los Angeles.

## FILM DISTRIBUTION

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

A solid result was achieved by Roadshow with operating profit before tax, discontinued operations and material items for the year ended 30 June 2013 of $38.0 million compared to $41.5 million in the prior period. EBITDA excluding discontinued operations and material items for the year was $46.2 million, compared to $50.8 million in the prior year.

During the year Roadshow Films maintained its leading Australian market share of 25.5%, continuing to capitalise on its strong supplier relationships. Roadshow's relationship with Warner Bros. was further strengthened during the year with the renewal of the term as their exclusive Australian and New Zealand Distributor until 31 December 2017. Warner Bros. continued to produce strong market leading product, including *The Dark Knight Rises*, *Argo*, *The Hobbit* and *Man of Steel*, all of which released to strong box office revenues. During the year the first instalment of *The Hobbit* trilogy became the biggest Boxing Day release in motion picture history and Australia's largest opening day of all time, accumulating $43 million at the Australian Box Office.

Our other key suppliers, which include Lionsgate, Nu Image, Film Nation, Relativity, Village Roadshow Pictures and Weinstein Co. formed the core of Roadshow's independent distribution relationships and ensure that it continues to be well placed in the theatrical industry. These suppliers continued to provide outstanding product during the year, which included *Magic Mike*, *Looper*, *Silver Linings Playbook*, *Olympus has Fallen* and *Big Wedding*. The year also saw Lionsgate expand their output deal with Roadshow Films which secured the *Hunger Games* sequels and other releases until December 2014.

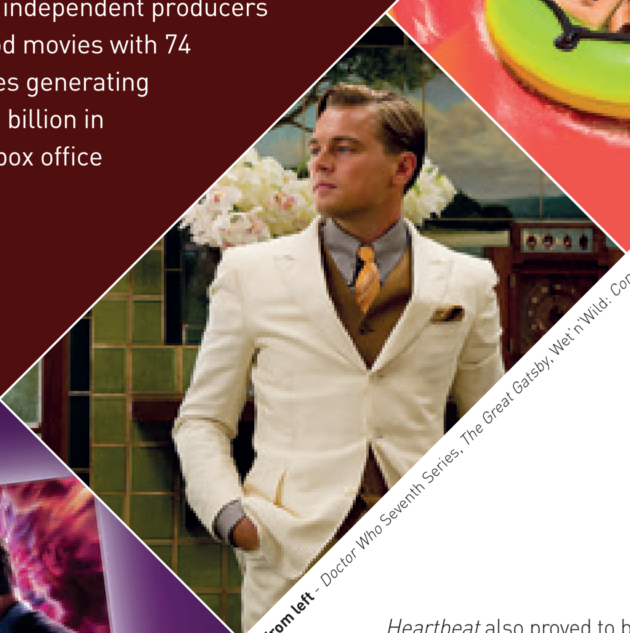
Through Roadshow we continue our proud tradition and commitment to supporting Australian films with two releases during the year, *Kath and Kimderella* and *Goddess*. Other Australian titles scheduled for future release include:

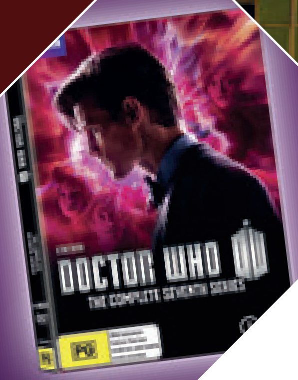
- *Now Add Honey* with Hamish Blake and Portia de Rossi;
- *Felony* with Joel Edgerton and Tom Wilkinson;
- *These Final Hours* starring Nathan Phillips;
- *The Rover* starring Guy Pearce and Robert Pattinson; and
- *Wolf Creek 2* starring John Jarratt.


**Images from left** - Village Cinemas Gift Cards, The Hangover Part 3, Gangster Squad

**Roadshow Films** maintained its leading Australian market share

**Village Roadshow Pictures** is one of the leading independent producers of Hollywood movies with 74 film releases generating over US$12 billion in worldwide box office revenues






**Images from left** – *Doctor Who Seventh Series, The Great Gatsby, Wet'n'Wild: Constrictor.*

The outlook for distribution product in the 2014 financial year features a great mix of strong independent films and Warner Bros. product, including the second instalment of the *The Hobbit: The Desolation Of Smaug*, and the second instalment of *The Hunger Games: Catching Fire*.

Roadshow Entertainment continued to be the leading independent retail distributor of DVD's during the year maintaining an Australian market share of 15.5%, despite a challenging retail landscape.

The phenomenal success of *Hunger Games* at the box office continued into retail with DVD sales outperforming expectations. Throughout the year Roadshow enjoyed a continued line up of strong new releases which, together with the alignment of innovative sales and marketing strategies and broad support from Australia's leading retailers, led to stand out DVD results including *Magic Mike*, *The Expendables 2*, *Looper* and *Silver Linings Playbook*. Roadshow also had a number of important television titles including Channel 9's *Underbelly 5: Badness*, BBC's *Dr Who* and drama series *Call the Midwife*. *Hamish and Andy's Euro Gap Year* and ITV's classic *Heartbeat* also proved to be popular with Australian consumers.

Sales of Blu-ray format product continues to grow and currently represents 19.2% of the Home Entertainment revenue achieved from Roadshow's movie category. With the DVD release of *Gangster Squad* in May 2013, Roadshow played a leading role in the Australian launch of Ultraviolet – the new global format supporting digital ownership which provides instant access to movies and television collections in 'the cloud'.

During the year, Roadshow's DVD distribution facility in Sydney was sold to the global media services provider, Technicolor. The sale led to a profit on disposal of $6.8 million before tax. As part of the transaction Technicolor was appointed by Roadshow to provide both distribution and manufacturing services for the next five years, generating further savings to Roadshow over that period.

The Australian digital film distribution market sustained steady growth in the financial year, up 30% on last year, with Roadshow outperforming the market with a 50% growth year on year. The outlook for digital distribution of our product is very positive with enormous potential through iTunes, Google, Microsoft, Foxtel, Big Pond and JB Hi-Fi with faster broadband and greater connectivity through smart phones and tablets.

Roadshow Television results were lower than the prior year, mainly resulting from the new Pay TV contract with Foxtel which began in January 2013.

## FILM PRODUCTION

Following the sale of the Concord Music Group in March 2013, Village Roadshow Entertainment Group ("VREG") now consists of Village Roadshow Pictures and Village Roadshow Pictures Asia. The sale proceeds were utilised to reduce VREG's debt and to free up cash to allow VREG to focus on its core film production business.

VRL holds 47.63% of VREG's ordinary shares and also holds non-voting, redeemable equity shares. VRL equity accounts its investment in VREG.

Village Roadshow Pictures is one of the leading independent producers of Hollywood movies with 74 film releases generating over US$12 billion in worldwide box office revenues and 24 number one box office openings to date.

During the year, Village Roadshow Pictures released two films: *Gangster Squad* in January 2013 and *The Great Gatsby* in May 2013. *Gangster Squad*, starring Sean Penn, Ryan Gosling and Emma Stone, grossed US$106.0 million worldwide. *The Great Gatsby*, directed by Baz Luhrmann and starring Leonardo DiCaprio, Tobey Maguire, Carey Mulligan and Joel Edgerton was well received by audiences globally and has grossed in excess of US$346 million worldwide to date.

Village Roadshow Pictures' goal of 6-8 film releases per year is coming to fruition with a slate of 6 films scheduled to release in calendar year 2014. Future releases include:

- *The Lego Movie 3D* directed by Phil Lord and Chris Miller with the voices of Chris Pratt, Will Ferrell and Elizabeth Banks;
- *Winter's Tale* directed by Akiva Goldsman and starring Colin Farrell and Russell Crowe alongside Jennifer Connelly and Will Smith;
- *Edge of Tomorrow 3D* directed by Doug Liman and starring Tom Cruise and Emily Blunt;
- *Jupiter Ascending 3D* directed by the Wachowskis and starring Channing Tatum and Mila Kunis;
- *Into the Storm* directed by Steven Quale and starring Richard Armitage;
- *The Judge* starring Robert Downey Jr., Vera Farmiga and Robert Duvall;
- *Mad Max: Fury Road 3D* directed by George Miller and starring Tom Hardy and Charlize Theron; and
- *In the Heart of the Sea*, directed by Ron Howard and starring Chris Hemsworth.

Village Roadshow Pictures Asia continues to build with the VRP Asia unit releasing its first two films during the year. *Journey to the West*, released in February 2013, achieved the highest opening day box office for a Chinese film in China (78 million RMB) and also was the second highest grossing Chinese film in history at US$200.8 million in Chinese box office. VRP Asia also released *Say Yes!* in February 2013 which performed well, grossing US$32.3 million in the Chinese box office. Subsequent VRP Asia releases included *Man of Tai Chi* which released in July 2013, *Don't Go Breaking My Heart 2* which is currently in production, and *Go Lala Go 2!*, which is currently in pre-production.

## CORPORATE AND OTHER

The acquisition of Edge Loyalty Systems was successfully completed during the year. The business continues to trade strongly and to perform above expectations, showing promising signs of future growth in the coming periods. Edge Loyalty comprises loyalty programs and promotion activities, with brands such as Giftango, Gifte, Hollywood Movie Money and Gift Card Planet, and the upcoming Good Food Gift Card.

MyFun, the online entertainment destination, launched its new website in June 2013, and now has over 160 leisure experience partners covering more than 400 attractions around Australia.

Whilst currently small, it is expected that these digital businesses will grow over the next few years. The revenues and costs of the digital group are included in the group segment 'total net corporate and other costs'.

The total net corporate and other costs before tax, discontinued operations and material items for the year ended 30 June 2013 were $27.1 million compared to $29.0 million for the 2012 financial year. Excluding interest and depreciation the EBITDA cost for the year to 30 June 2013 was $30.1 million, compared to $34.6 million in the prior year. Net interest revenue was lower in the current financial year compared with the prior year due to lower cash reserves as a result of the payment of the shareholder distribution and income tax on the sale of the Austereo investment part way through the prior year, and capital funding of the Wet'n'Wild Sydney development in the 2013 financial year.

Development costs included in corporate and other costs include costs associated with the Wet'n'Wild Sydney and Wet'n'Wild Las Vegas water parks and China theme parks projects. These net costs in total amounted to $2.6 million for the year compared to $3.0 million in the prior year.

Cost management continues to be a key area of attention, with significant reductions achieved in 2013 after previous reductions in 2012. We continue to invest in our core systems to enhance our internal governance and controls, further utilise our customer data through optimisation of our in-house analytical capabilities, and ensure that our systems are scalable to support future growth.

VRL continues to operate its businesses in a responsible environmental and social manner whilst continuing to maximise long term shareholder value. The Company continues with its sustainability initiatives in its operating businesses and also remains a firm supporter of a number of charitable and community involvement endeavours. Summarised information and reporting on these matters is available on the Company's website at **www.villageroadshow.com.au**

## THE YEAR AHEAD

The VRL group has again produced a solid operating result for the year ended 30 June 2013 with robust and durable earnings from its core businesses. The VRL Board is confident of the Company's future prospects. The 2013 result demonstrates the strength of VRL's businesses in challenging trading conditions and the success over recent years to restructure the group's debt and overhead position, and simplification of our businesses and structure.

The Company enjoys quality, stable cash flows from its established businesses which provide a robust platform from which to build further on VRL's existing well-known brands. The Directors are pleased to see the new Wet'n'Wild Sydney water park nearing completion, which the Company believes will be a major success when it opens in December this year. In addition, we have continued to pursue growth opportunities in China and other parts of Asia.

People want entertainment, to be able to escape, and love to go out. We are servicing this very real tangible demand. Our cinemas are enjoying continuing success, significant investments in new attractions at our theme parks have been made in expectation of a return to more favourable weather patterns, and our film distribution and film production businesses are offering a portfolio of strong upcoming product. All of the Company's businesses are focussed on ensuring that their customers and patrons have an enjoyable entertainment experience and continue to come back for more.

The VRL Board is committed to maintaining a consistent, stable dividend return to shareholders, whilst building on expansion opportunities for the future. Shareholders can be confident that the Company has sound prospects for further future wealth creation, that its businesses are strong, and the future looks promising.

On behalf of the Board we wish to thank the Company's dedicated and talented executive and team of people for their ongoing contribution to the success of VRL. We also thank our customers and the suppliers of our different businesses for their support and most especially we thank you, our shareholders, for your continued backing throughout the year.

**ROBERT G. KIRBY**

**GRAHAM W. BURKE**

**Images from left** - Wet'n'Wild Aqualoop, The Hunger Games: Catching Fire, Warner Bros. Movie World: Batman Arkham Asylum

**The VRL Board** is confident of the Company's future prospects.

# FINANCIAL REPORT 2013

**VILLAGE ROADSHOW LIMITED** ABN 43 010 672 054

**CONTENTS**

# DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2013.

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

**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 62*
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 international 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. Director of Village Roadshow Corporation Pty. Ltd., Deputy Chair of Peter MacCallum Cancer Foundation, Member of Patrons Council of Epilepsy Foundation and Patron of Arts Centre Melbourne.

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 66*
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 Sony Foundation and the Jigsaw Foundation at the Royal Children's Hospital, Melbourne. Former Director Asia Pacific Screen Awards, a division of the Queensland Arts portfolio, Surf Life Saving Foundation, 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.

*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 71*
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 67*
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

*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 82*
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, from January 2006 to 15 December 2012

### Peter M. Harvie

*Independent Non-Executive Director, Age 74*
Member of the Board since 20 June 2000 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 Chairman 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. Chairman CHE Proximity Pty. Ltd., Director Southern Cross Media Group Limited, Director Mazda Foundation Limited, Australian International Cultural Foundation and the Australian National Maritime Museum, and trustee of The Commando Welfare Trust.

# 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 73*
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

*Other Listed Public Company Directorships in previous 3 years:*
British Sky Broadcasting Group Plc, from 21 September 2001 to 29 November 2011

### Robert Le Tet

*Independent Non-Executive Director, Age 69*
Member of the Board since 2 April 2007. Holds a Bachelor of Economics Degree from Monash University and is a qualified accountant. 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 47*
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

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

### Julie E. Raffe

*Finance Director, Age 51*
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 graduate 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. 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 58*
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 51*
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 | 71,166,999 | – |
| John R. Kirby | 71,166,999 | – |
| Graham W. Burke | 71,166,999 | 4,500,000 |
| Peter D. Jonson | 85,464 | – |
| D. Barry Reardon | 28,552 | – |
| Peter M. Harvie | 500,300 | – |
| David J. Evans | 111,971 | – |
| Robert Le Tet | 84,564 | – |
| Timothy M. Antonie | 20,714 | – |
| Julie E. Raffe (alternate) | 1,000,000 | – |

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.

# OPERATING AND FINANCIAL REVIEW

## 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 and DVD distribution operations ("Film Distribution").

In addition the VRL group has an equity-accounted 47.63% interest in Village Roadshow Entertainment Group Limited ("VREG") which has film production activities ("Film Production") – refer to Note 11 in the Financial Report for further details. Other investments, including in digital businesses, as well as corporate overheads and financing activities, are included under 'Other'.

## OPERATING AND FINANCIAL REVIEW (continued)

### Overview of Results and Dividends

The VRL group reported an attributable net profit after tax of $50.9 million for the year ended 30 June 2013, a 50.8% increase compared to the prior corresponding period result of $33.8 million, which included losses after tax from material items of $6.3 million in the year ended 30 June 2013 and $19.1 million in the prior year. Attributable operating profit after tax, before discontinued operations and material items for the year ended 30 June 2013 was $57.2 million, up 8.2% on the prior year result of $52.8 million. Earnings before Interest, Tax, Depreciation and Amortisation, excluding material items and discontinued operations ("EBITDA") for the year ended 30 June 2013 was $164.0 million, up 6.0% on the prior year result of $154.7 million.

Material items of income and expense after tax in the year ended 30 June 2013 comprised unrealised mark-to-market profits on interest rate derivatives not designated in hedging relationships of $1.8 million, a gain on sale of distribution centre of $4.8 million, and a loss from impairment, write-downs and provisions relating to non-current assets and onerous lease of $12.9 million.

Basic earnings per share from continuing operations were 32.7 cents per share, 47% up on the prior year result of 22.3 cents per share. There were 2,127,630 potential ordinary shares that were dilutive in the year ended 30 June 2013 (2012: 1,903,759). Diluted earnings per share before material items and discontinued operations of 36.2 cents per share increased by 5.2% compared to the prior year result of 34.4 cents per share, based on a weighted average total of 157,887,682 ordinary shares (2012: 153,412,594 ordinary shares).

In October 2012 an unfranked final dividend of 10.0 cents per ordinary share was paid, and in March 2013, a fully-franked interim dividend of 13.0 cents per ordinary share was paid. In the year ended 30 June 2012, a fully-franked final dividend of 8.0 cents per ordinary share was paid in October 2011 and an unfranked interim dividend of 12.0 cents per ordinary share was paid in March 2012. Subsequent to 30 June 2013, the VRL Board has declared a fully-franked final dividend of 13.0 cents per ordinary share, which will be paid on 1 October 2013.

Net cash flows from operations totalled $150.7 million in the year ended 30 June 2013, compared to $125.9 million in the prior year. Cash flows used in investing and financing activities totalled $198.2 million in the year ended 30 June 2013, compared to $364.2 million used in the prior year. The current year included $145.0 million relating to purchases of property, plant, equipment and intangibles, compared to a total of $68.4 million in the prior year, with a significant part of the increase relating to the construction of Wet'n'Wild Sydney in the 2013 financial year. The prior year included $62.1 million of tax paid relating to the disposal of the Radio and Attractions businesses in the 2011 financial year, as well as a special distribution of $1.00 per ordinary share, totalling $151.5 million.

An analysis of the Company's operations, financial position, business objectives and future prospects is set out below. Further financial summary information is set out in the Reconciliation of Results on page 14, which forms part of this Directors' Report, and in Note 29 in the Financial Report.

### Operational Results

#### Theme Parks

Despite inclement weather on the Gold Coast during key holiday periods in the second half of the financial year, Village Roadshow Theme Parks ("VRTP") recorded its second highest EBITDA result of $89.3 million for the year ended 30 June 2013, a 2.3% increase on the previous year's EBITDA of $87.4 million. Operating profit before tax, discontinued operations and material items ("PBT") was $30.5 million (after non-controlling interest), up $2.0 million or 7.2% on the prior year. The 2013 result also includes a $2.0 million write-off of pre-opening costs for Wet'n'Wild Las Vegas.

The Gold Coast Theme Parks division of VRTP was buoyed by better weather in the first half of the year, improving economic conditions, appealing capital product additions, and the continued success of the popular Annual Pass ("VIP") program. Whilst the Gold Coast parks enjoyed a very strong first half-year performance, unfortunately the second half of the financial year was marked by the return of wet weather. However, despite the poor weather, attendance at the major parks was up 15.3% to a total of 5.4 million visitors for the financial year. Total revenue was up $14.4 million or 5.6% and EBITDA was up $1.5 million or 1.8% on the prior year.

The division's ongoing focus on VIP sales underpinned the financial performance of the Gold Coast parks. The combination of strong unit sales and a consistently high yield delivered a $3.8 million increase in admissions revenue to $139.3 million, an increase of 2.8% over the previous financial year. It should also be noted that the higher VIP unit sales played a major role in the attendance increase, resulting in an in-park revenue increase of $9.3 million or 10.6% over the previous financial year.

Sea World Resort & Water Park produced another record EBITDA performance as reflected in the resort's occupancy, up 4.4% on the previous financial year, and the average room rate, up 11.5% over the previous year. The positioning of the property, with its own water park and being adjacent to Sea World, continues to provide the resort with a competitive advantage and a solid marketing foundation for the future. It is expected that further cross-promotional opportunities and VIP ticket sales together with recent new and further attractions at the Gold Coast based parks will combine to drive strong future financial performance.

The USA Water Parks division now consists of three water parks, Wet'n'Wild Phoenix located in Arizona and Wet'n'Wild Hawaii located on the island of Oahu, Hawaii, both wholly-owned operations, and the newly opened Wet'n'Wild Las Vegas in Nevada, operated and 51% owned by VRTP. VRTP opened Wet'n'Wild Las Vegas in late May 2013 and trading has been solid since opening. June trading results were above budget but were impacted by the write-off of approximately $2 million of non-recurring pre-opening costs. Wet'n'Wild Hawaii and Wet'n'Wild Phoenix both enjoyed solid performances in the current year. Strong season pass sales and a disciplined approach to expense control underpinned the performances at both parks.

The construction of VRTP's newest water park, Wet'n'Wild Sydney, remains on schedule to open to the public in December 2013. It is expected that the new park will make a significant contribution to the financial performance of VRTP in future years. VRTP is also moving forward with its partner in China, Guangzhou R&F Properties Co. Ltd., to manage the theme park currently under construction on Hainan Island. The first phase of the park is currently scheduled to open in late 2014. VRTP's primary international focus in the future will be to explore development and management opportunities in Asia.

#### Cinema Exhibition

The Cinema Exhibition division operates predominantly in Australia, Singapore and the United States through joint ventures with Amalgamated Holdings in Australia and other cinema operators. EBITDA for the year ended 30 June 2013 for the division was $58.5 million, 14.5% up on the prior year result of $51.1 million, and PBT was $40.4 million, up by 18.8% over the prior year result of $34.0 million.

The strong results at the Company's Australian cinemas were driven by higher average ticket prices as a result of converting more patrons to premium offerings and growth in other revenue streams, including screen advertising revenue and online sales. There was also a 5% growth in patrons' spend on food and beverage items accompanied by improvements in food and beverage costs. Payroll costs have been further streamlined resulting in a lower labour cost per patron than the prior year.

The Company's access to suitable popular film product continued during the 2013 financial year with a number of films performing well, including from the final instalment of *Twilight: Breaking Dawn 2*, the new Bond; *Skyfall* and *Madagascar 3*, with the June 2013 releases of further strong product including *The Hangover Part 3*, *The Great Gatsby*, *Despicable Me 2* and *Monsters University*. Strong product releases for the coming 2014 financial year are also expected.

As at 30 June 2013, the division has 514 screens at 51 sites in Australia, 11 sites with 87 screens in Singapore, 9 sites with 67 screens in the United States and one remaining site in the United Kingdom with 12 screens, totalling 680 screens at 72 sites. During the year, the division focused on expanding its Gold Class and large screen premium offerings with further site refurbishments and new screens under construction in 2014. The division also successfully bought out the other 50% interest in the four Tasmanian sites that it did not already own during the 2013 financial year.

The 50% owned Singapore circuit also experienced a strong year with paid admissions finishing 9% higher and underlying operating profit up 29% on the prior year. Driving this growth was an increase in average ticket prices and reduction in advertising and film hire costs. In November 2012 a new site at City Square was opened, which has since been trading above expectations, and towards the end of the 2014 financial year, a new site at Suntec Plaza will be opened which is anticipated to be successful.

The Company's 30% owned iPic Theaters in the USA exceeded expectations during the year, and has maintained its expansion objectives to reach a critical mass of sites, with two new sites expected to open in the 2014 financial year. Although the iPic business remains in a loss making position due to interest and depreciation charges, it is expected to build a strong business over time.

The Company's single UK site in Belfast and its Australian Intencity indoor amusement centre business traded to expectations during the year.

# OPERATING AND FINANCIAL REVIEW (continued)

## Operational Results (continued)

### Film Distribution

The Film Distribution division's operating profit before tax, discontinued operations and material items for the year ended 30 June 2013 was $38.0 million, compared to $41.5 million in the prior period. EBITDA excluding discontinued operations and material items for the year was $46.2 million, compared to $50.8 million in the prior year.

During the year Roadshow Films released 47 films into cinemas and maintained its leading Australian market share of 25.5% of cinema box office, continuing to capitalise on its strong supplier relationships. Roadshow's contract with Warner Bros. as its exclusive Australian and New Zealand Distributor was renewed until 31 December 2017. Warner Bros. continued to produce strong market leading product, including *The Dark Knight Rises*, *Argo*, *The Hobbit* and *Man of Steel*, all of which released to strong box office revenues. Other key film content suppliers, which include Lionsgate, Nu Image, Film Nation, Relativity and Weinstein, form the core of Roadshow's independent distribution relationships and ensure that it continues to be well placed in the theatrical film distribution industry. The year also saw Lionsgate expand their output deal with Roadshow Films, which secured the *Hunger Games* sequels and other releases until December 2014. The outlook for the 2014 financial year features a mix of strong independent films and Warner Bros. product.

Roadshow Entertainment also continued to be the leading independent retail distributor of DVD's during the year, maintaining an Australian market share of 15.5%, despite a challenging retail landscape. The success of *Hunger Games* at the box office continued into retail with DVD sales by Roadshow outperforming expectations. Throughout the year Roadshow enjoyed an ongoing line up of strong new releases which, together with the alignment of innovative sales and marketing strategies and broad support from Australia's leading retailers, led to strong DVD results. Roadshow also distributed a number of important television series titles which proved to be popular with Australian consumers. Blu-ray format DVDs continue to grow, and currently represent 19.2% of the Home Entertainment revenue achieved from Roadshow's movie category. With the DVD release of *Gangster Squad* in May 2013, Roadshow played a leading role in the Australian launch of Ultraviolet – the new global format supporting digital ownership which provides instant access to movies and television collections in 'the cloud'.

During the financial year Roadshow successfully completed a transaction which resulted in global media services provider Technicolor acquiring Roadshow's DVD distribution facility in Sydney. The sale led to a profit on disposal of approximately $6.8 million before tax and as a result of the sale, Roadshow's earnings will reduce by approximately $2.0 million in a full year. As part of the transaction, Technicolor was appointed by Roadshow to provide both distribution and manufacturing services for the next five years.

The digital market for film product sustained steady growth in the financial year, particularly in the transactional business which continued to exceed budget expectations. The strong growth in digital rental of film product is expected to continue in the 2014 financial year. Roadshow Television's results were lower than the prior year, mainly resulting from the new Pay TV contract with Foxtel which began in January 2013.

### Film Production

Following the sale of the Concord Music Group in March 2013, VREG now consists of Village Roadshow Pictures and Village Roadshow Pictures Asia. The proceeds of the sale of Concord Music group were used by VREG to reduce debt and free up cash to assist VREG to focus on its core film production business. VREG has a long-term film partnership and co-financing arrangement with Warner Bros. that extends to 2017.

During the year, Village Roadshow Pictures released two films; *Gangster Squad* in January 2013, which grossed US$106.0 million worldwide, and *The Great Gatsby* in May 2013, which was very popular with consumers and at the end of August 2013 has grossed in excess of US$335.0 million worldwide. Village Roadshow Pictures' goal of 6-8 film releases per year is progressing but will take a little longer than expected with the next film release scheduled for February 2014. Up to 8 further film projects are in various stages of production.

Village Roadshow Pictures Asia released its first two films during the year. *Journey to the West*, released in February 2013, achieved the highest opening day box office for a Chinese film in China (78 million RMB) and also was the second highest grossing Chinese film in history at US$200.8 million in Chinese box office. *Say Yes!* was released in February 2013 and performed well, grossing US$32.3 million in the Chinese box office with subsequent films currently in production or in pre-production.

### Other

The acquisition of Edge Loyalty Systems Pty. Ltd. was successfully completed during the year. The business continues to trade strongly and perform above expectations, showing promising growth in the coming periods. Edge Loyalty comprises loyalty programs and promotions, and covers brands such as Giftango, MyFun, Gifte, Hollywood Movie Money and Gift Card Planet, and the upcoming Good Food gift card.

MyFun launched its new website in June 2013, and now has over 160 leisure experience partners covering more than 400 attractions around Australia.

The total net corporate and other costs before tax, discontinued operations and material items for the year ended 30 June 2013 were $27.1 million, compared to $29.0 million for the 2012 financial year. Excluding interest and depreciation, the EBITDA cost for the year to 30 June 2013 was $30.1 million, compared to $34.6 million in the prior year. Net interest revenue was lower in the current financial year compared with the prior year, due to lower cash reserves as a result of the payment of the shareholder distribution and income tax on the sale of the Austereo investment part way through the prior year, and capital funding of the Wet'n'Wild Sydney development in the year ended 30 June 2013.

Development costs included in corporate and other costs include costs associated with the Wet'n'Wild Sydney and Las Vegas water parks and China Theme Parks projects. These net costs in total amounted to $2.6 million for the 2013 financial year, compared to $3.0 million in the prior year.

## Financial Position

During the year ended 30 June 2013, total assets of the consolidated entity increased by $111.7 million, mainly as a result of an increase in property, plant and equipment of $104.4 million, and total liabilities increased by $62.5 million, mainly as a result of an increase in trade and other payables of $50.7 million.

Total equity of the consolidated entity increased by $49.3 million to $572.1 million during the year. This was attributable to increases in contributed equity of $11.5 million (mainly resulting from the exercise of options), reserves of $12.0 million, retained earnings of $14.9 million and the non-controlling interest of $10.9 million (which resulted from the acquisition of the partly-owned Las Vegas water park entities during the year). Net profit attributable to members of the parent was $50.9 million, but after accounting for dividends paid during the year of $36.0 million, retained earnings of the consolidated entity increased by $14.9 million.

The VRL group's net debt as at 30 June 2013 was $271.6 million, giving a gearing ratio of 32%, which is almost unchanged from the prior year's gearing ratio of 33%. Of the total debt of $418.5 million, $35.6 million is classified as current liabilities, and $382.9 million is classified as non-current liabilities. The VRL group is in compliance with all the required debt covenants as at 30 June 2013.

During the year ended 30 June 2013, as set out in Note 30 of the Financial Report, the VRL group acquired:

- 100% of the equity of Edge Loyalty Systems Pty. Ltd., effective from 1 July 2012; and
- 50.76% of the equity of The Waterpark LLC and 50% of the equity of The Waterpark Management LLC, both effective from 26 September 2012,

Other than as disclosed above, there have been no significant changes in the state of affairs of the consolidated entity during the financial year.

## Events Subsequent to Balance 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.

## Environmental Regulation and Performance

The VRL group was subject to the *National Greenhouse and Energy Reporting Act* for the year ended 30 June 2013, however this has not had any material impact on the VRL group.

## Business Objectives and Future Prospects

### Strategy/Objectives

The strategy and objectives of the VRL group are summarised as follows:

- Ongoing improvement in operating performance of each division;
- Continued development of innovative and competitive products and services such as higher yielding cinema offerings and site refurbishments in the Cinema Exhibition division, new attractions at existing locations and development of new locations for the Theme Parks division, such as Wet'n'Wild Sydney;
- Ongoing expansion in relation to the Group's involvement in theme parks in China, including potentially elsewhere in Asia;

## OPERATING AND FINANCIAL REVIEW (continued)

### Business Objectives and Future Prospects (continued)

#### Strategy/Objectives (continued)

- Increase in output of films per year by VREG, improving the financial performance of the Film Production division;
- Continuing to monitor opportunities in the digital and online space; and
- Continuing to closely monitor and review corporate overheads, including remuneration costs, in light of ongoing efficiency reviews.

#### Business Risks

Material business risks that could have an effect on the financial prospects of the VRL group, and the way in which the VRL group seeks to address some of these risks, are as follows:

- Consumer spending – a shift in the patterns with which consumers spend their disposable income could impact the Group in all of its businesses, however historical experience has shown that the Group's entertainment offerings are generally impacted less by economic downturns compared to other discretionary expenditures of consumers;
- Competition – all of the Group's businesses are continuously vying for customers against a wide variety of competitive forces;
- Technology – the media through which people receive entertainment content is ever-changing, with increased digitalisation and portability being key focuses for many consumers, although the uniqueness of the Group's 'out-of-home' entertainment experiences appear to have reduced the extent and impact of this issue;
- Piracy – the ongoing issue of film and music piracy poses a challenge to the Group's Cinema Exhibition, Film Distribution and Film Production businesses, and the VRL group is actively working with other industry participants to reduce the severity of this risk;
- Weather – extreme weather events can challenge admission levels at the Theme Parks division's businesses, with potential customers not travelling to such destinations when the weather is severe, such as floods or cyclones. The VIP season pass ticket promotion seeks to partially address this risk by allowing tickets to be utilised when better weather returns;
- Lack of quality films – the Cinema Exhibition and Film Distribution businesses are dependent on a solid and reliable flow of quality, high grossing film content. This risk has been partly mitigated in Film Distribution by long term supply contracts with major suppliers, including Warner Bros., and in Cinema Exhibition by new offerings (e.g. Gold Class) and alternative content and uses;
- International tourism – tourism can be affected by multiple factors including foreign currency exchange rates, severe weather, disease outbreaks and terrorism threats, however none of the VRL group's businesses, including in the Theme Parks division, are heavily reliant on international visitation (although they are still affected to some extent);
- Safety – the Theme Parks and Cinema Exhibition businesses operate public venues and (in the case of Theme Parks) rides and other attractions, with the consequence that there is risk of physical injury or harm. The VRL group takes its commitment to the safety of both its staff and its patrons at all of the Group's venues very seriously, primarily in order to ensure that a safe environment is always provided for patrons and staff, and as a secondary issue, to minimise any adverse legal or reputational consequences of any serious incidents; and
- Development – the building of either new cinema sites or theme parks, both in Australia and overseas, involves inherent risks to such development projects, including cost and time overruns, community distaste for a project, regulatory hurdles and various governmental requirements and permissions. However, due to the diversity and scale of the VRL group's other businesses, any adverse impact on the Group from any individual development or new operation, whether in Australia or elsewhere, is not expected to be material, and the significant expertise and experience of the Group in delivering such projects minimises this risk.

#### Future Prospects

Subject to the business risks outlined above, and general economic risks and uncertainties, it is anticipated that the VRL group will continue to produce solid operating profits in future years. The Group has maintained a conservative net debt position and has enjoyed reliable cash-flows from its existing businesses. If this continues, the Group may be able to take advantage of potential future profitable development opportunities when these arise. These may include opportunities in Australia and elsewhere, with a focus on Asia.

The Group's brands are well recognised and respected, and all of the Group's businesses are focussed on ensuring that their customers have an enjoyable entertainment experience to encourage repeat visitation. The Company is committed to maintaining a consistent, stable dividend return to shareholders whilst retaining the flexibility for future expansion options.

## 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 15 to 25.

## DIRECTORS' MEETINGS

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

| NAME OF DIRECTOR | NUMBER OF MEETINGS HELD WHILE IN OFFICE | | | | | NUMBER OF MEETINGS ATTENDED | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Formal | Audit & Risk | Remuneration | Corporate Governance | Nomination | Formal | Audit & Risk | Remuneration | Corporate Governance | Nomination |
| Robert G. Kirby | 6 | – | – | – | 1 | 5 | – | – | – | 1 |
| John R. Kirby | 6 | – | – | – | – | 6 | – | – | – | – |
| Graham W. Burke | 6 | – | – | – | – | 6 | – | – | – | – |
| Peter D. Jonson | 6 | 3 | 2 | 5 | – | 6 | 3 | 2 | 5 | – |
| D. Barry Reardon | 6 | – | 2 | – | – | 5 | – | 2 | – | – |
| Peter M. Harvie | 6 | – | – | – | – | 6 | – | – | – | – |
| David J. Evans | 6 | – | – | 5 | 1 | 6 | – | – | 5 | 1 |
| Robert Le Tet | 6 | 3 | – | – | 1 | 6 | 3 | – | – | 1 |
| Timothy M. Antonie | 6 | 3 | 2 | 5 | – | 6 | 3 | 2 | 5 | – |
| Julie E. Raffe (alternate) | 1 | – | – | – | – | 1 | – | – | – | – |

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

## TAX CONSOLIDATION

A description of the 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 below.

## 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 5th day of September 2013.

G.W. Burke
Director

# AUDITOR'S INDEPENDENCE DECLARATION

EY
Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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ey.com

## 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 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Rodney Piltz
Partner

5 September 2013

# RECONCILIATION OF RESULTS

for the year ended 30 June 2013

| | THEME PARKS | | CINEMA EXHIBITION | | FILM DISTRIBUTION | | OTHER | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 |
| **(i) Reconciliation of results:** | | | | | | | | | | |
| **Continuing Operations:** | | | | | | | | | | |
| Earnings before Interest, Tax, Depreciation and Amortisation, excluding material items of income and expense ("EBITDA") | 89,345 | 87,364 | 58,504 | 51,140 | 46,203 | 50,752 | (30,059) | (34,600) | 163,993 | 154,656 |
| Depreciation and amortisation | (36,185) | (33,575) | (13,585) | (13,001) | (3,196) | (2,768) | (1,298) | (2,618) | (54,264) | (51,962) |
| Finance costs before fair value change on derivatives | (22,763) | (25,795) | (4,993) | (5,130) | (6,092) | (8,075) | (1,337) | (2,159) | (35,185) | (41,159) |
| Interest income | 297 | 498 | 502 | 1,034 | 1,068 | 1,580 | 5,596 | 10,387 | 7,463 | 13,499 |
| Operating profit (loss) before tax and material items of income and expense ("PBT") | 30,694 | 28,492 | 40,428 | 34,043 | 37,983 | 41,489 | (27,098) | (28,990) | 82,007 | 75,034 |
| Income tax (expense) benefit, excluding material items | (9,788) | (8,544) | (10,558) | (9,433) | (12,521) | (12,435) | 8,200 | 8,210 | (24,667) | (22,202) |
| Operating profit (loss) after tax, before material items of income and expense | 20,906 | 19,948 | 29,870 | 24,610 | 25,462 | 29,054 | (18,898) | (20,780) | 57,340 | 52,832 |
| Non-controlling interest | (153) | – | – | – | – | – | – | – | (153) | – |
| Attributable operating profit after tax, before material items of income and expense | 20,753 | 19,948 | 29,870 | 24,610 | 25,462 | 29,054 | (18,898) | (20,870) | 57,187 | 52,832 |
| Material items of income and expense before tax | (6,920) | (7,419) | (1,374) | (87) | 7,586 | (808) | (4,196) | 56 | (4,904) | (8,258) |
| Income tax (expense) benefit – material items | 2,076 | 1,401 | (38) | 26 | (3,390) | 242 | – | (12,472) | (1,352) | (10,803) |
| Material items of income and expense after tax | (4,844) | (6,018) | (1,412) | (61) | 4,196 | (566) | (4,196) | (12,416) | (6,256) | (19,061) |
| Total profit (loss) before tax from continuing operations | 23,774 | 21,073 | 39,054 | 33,956 | 45,569 | 40,681 | (31,294) | (28,934) | 77,103 | 66,776 |
| Total income tax (expense) benefit from continuing operations | (7,712) | (7,143) | (10,596) | (9,407) | (15,911) | (12,193) | 8,200 | (4,262) | (26,019) | (33,005) |
| Total non-controlling interest | (153) | – | – | – | – | – | – | – | (153) | – |
| Total profit after tax from continuing operations per the statement of comprehensive income | 15,909 | 13,930 | 28,458 | 24,549 | 29,658 | 28,488 | (23,094) | (33,196) | 50,931 | 33,771 |
| **Discontinued Operations:** | | | | | | | | | | |
| Attributable profit after tax from discontinued operations | | | | | | | | | – | – |
| Net profit attributable to the members of Village Roadshow Limited | | | | | | | | | 50,931 | 33,771 |
| **(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 | | | | | | | | | 2,637 | (5,508) |
| Impairment, write-downs and provisions relating to non-current assets and onerous lease | | | | | | | | | (14,383) | (2,750) |
| Gain on sale of distribution centre | | | | | | | | | 6,842 | – |
| Total loss from material items of income and expense before tax | | | | | | | | | (4,904) | (8,258) |
| Income tax (expense) benefit | | | | | | | | | (1,352) | (10,803) |
| Total loss from material items of income and expense after tax | | | | | | | | | (6,256) | (19,061) |
| **(iii) Earnings Per Share adjusted to eliminate discontinued operations and material items of income and expense from the calculations:** | | | | | | | | | | |
| Basic EPS | | | | | | | | | 36.7c | 34.9c |
| Diluted EPS | | | | | | | | | 36.2c | 34.4c |

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.

# 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 being the Key Management Personnel ("KMP") of the VRL consolidated entity (the "Group") for the year ended 30 June 2013 in accordance with Section 300A of the *Corporations Act 2001* ("the Act") as amended.

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>Mr. Robert Kirby and Mr. Graham Burke (VRL CEO) and (to 30 June 2012) Mr. John Kirby</td><td>Executive Director KMP</td><td rowspan="2">Executive KMP<br>= All members of Village Roadshow Limited's Executive Committee</td><td rowspan="3">"Key Management Personnel" of the Village Roadshow Limited Group</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. John Kirby from 1 July 2012)</td><td>Non-Executive Director 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:

**(i) Executive Director KMP**

The Company's Executive Directors are referred to in this Report as "Executive Director KMP" being Messrs. Robert G. Kirby and Graham W. Burke, and until 30 June 2012, Mr. John R. Kirby.

**(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 2013), of these Executive KMP for the 2012 and 2013 financial periods are as follows:

| Name | Title/Position | Appointment | Cessation | Category |
|---|---|---|---|---|
| Robert G. Kirby | Executive Chairman ^ | 3 June 2010 | – | Executive Director KMP |
| John R. Kirby | Executive Deputy Chairman # + | 3 June 2010 | 30 June 2012 | Executive Director KMP |
| Graham W. Burke | Chief Executive Officer # | 9 September 1988 | – | 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 |

# Executive Directors since 1988
^ Executive Director since July 2001
+ Retired as 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 2013 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 | Independent Director | 7 April 2011* | – | Non-Executive Director KMP |
| John R. Kirby | Non-Executive Director | 1 July 2012 # | – | Non-Executive Director KMP |

* Became Independent Non-executive Director on 7 April 2013
# Retired as Executive Director KMP on 30 June 2012

## A. EXECUTIVE SUMMARY (continued)

### 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. The Company's theme park operations are highly competitive for international executive talent, with specific industry challenges in relation to domestic theme park development and optimisation, and international theme park assessment, negotiation, development and operations. These factors put significant pressure on the executives in the Group to maintain optimum performance. Due to the Group's overseas business interests and the global nature of the entertainment industry, the Company's Remuneration Committee considers both international entertainment industry remuneration levels and local remuneration expectations and practices. 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 industries in which the Group's businesses operate.

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 from 2011 VRL's CEO, Mr. Graham Burke, received a salary of $2.25 million per annum CPI indexed each October and an entitlement to a performance bonus capped at a maximum of $1.0 million per annum. VRL's Executive Chairman, Mr. Robert Kirby, received a salary of $2.25 million per annum CPI indexed each October, with no performance bonus. Each Executive Director was also entitled to $50,000 per annum in superannuation or cash equivalent and a $100,000 per annum car allowance.

In addition, Mr. J.R. Kirby retired as Executive Deputy Chairman with effect from 30 June 2012, ceasing as Executive Director KMP 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 18. Mr. J.R. Kirby remains Deputy Chairman and from 1 July 2012 became a Non-Executive Director KMP.

For the year ended 30 June 2013, Mr. Burke's short term incentive ("STI") bonus was $982,500 (2012: $1.0 million), with 50% of the bonus based on the Company's cash flow return on investment ("CFROI") exceeding certain hurdles, and 50% based on the increase in earnings per share ("EPS") growth exceeding the growth of the top 300 stocks listed on ASX. Both the CFROI and EPS components of the STI bonus have been accrued for 2013 and for the prior year. In relation to the year ended 30 June 2013, for Mr. Burke's STI the CFROI component amounted to $500,000 (2012: $500,000) and the EPS component amounted to $482,500 (2012: $500,000).

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 ("KPIs") for each Executive Committee KMP. Remaining components of Executive Committee KMP STI bonus payments, such as against personal performance targets, are calculated between balance date and 31 December each calendar year and are thus not able to be accrued for at the respective year end. Accordingly the STI amounts for Executive Committee KMP shown in the Remuneration tables on pages 17 and 18 are a composite of both EPS and CFROI bonus components accrued during the financial year and the personal performance KPI bonus component paid during the year for performance during the prior year.

The CEO, Mr. Graham Burke, is eligible to earn up to 4.5 million options over ordinary shares over the five years to March 2018. For the maximum number of options to vest, the three year Cumulative Annual Growth Rate ("CAGR") of normalised EPS must be at least 8% in each of the financial years 2015, 2016 and 2017, and the three year CAGR of dividends per share ("DPS") must be at least 8% in each of calendar years 2015, 2016 and 2017. If the EPS and DPS CAGR is less than 4% then no options vest, with a sliding scale of vesting of options between 4% and 8% growth on these two measures. This CEO Long Term Incentive Plan was approved by shareholders on 15 November 2012.

During the year all of the remaining options under Mr Burke's 2008 Option Plan were exercised or lapsed and no options remain at 30 June 2013. 603,863 third tranche EPS options (2012: 507,132 second tranche EPS options) vested and 396,137 third tranche EPS options lapsed during the year (2012: 492,868 second tranche EPS options lapsed). Although the first tranche DPS options did not meet the minimum CAGR hurdle to vest in 2011, the DPS hurdle was retested in 2012 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 were similarly subject to retesting in 2013 resulting in 1,000,000 DPS options vesting in March 2013. The third tranche DPS options met the minimum CAGR hurdle to vest in 2013 and resulted in 1,000,000 DPS options vesting in March 2013. On 21 February 2013 Mr. Burke exercised 2,250,036 first and second tranche vested options into ordinary shares at $2.00 per share, and on 1 March 2013 Mr. Burke exercised the remaining 2,603,863 second and third tranche vested options, also at $2.00 per share.

Other than an allotment of 300,000 shares on 29 November 2012 at $3.78 to Ms J.E. Raffe as approved by shareholders on 15 November 2012 under the Company's Executive Share Plan (2012: 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), there have been no long term incentive plan allocations made during the year to any Executive KMP.

As more than 2 years has passed since Non-executive Director Mr. P.M. Harvie was an Executive Director, under the Company's Board governance principles, he has now been re-categorised as an Independent Director.

The detailed compensation arrangements of all KMP for the years ended 30 June 2013 and 30 June 2012 are set out in the tables on pages 17 and 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 2013

| NAME | POSITION from / to (positions do not necessarily co-incide with employment dates) | YEAR | NOTE | SHORT TERM BENEFITS: Salary & Fees | SHORT TERM BENEFITS: Cash Bonus S.T.I. | SHORT TERM BENEFITS: Non-monetary Benefits | SHORT TERM BENEFITS: Other | POST EMPLOYMENT: Super-annuation | POST EMPLOYMENT: Retirement Benefits | LONG TERM BENEFITS: Incentive Plans | LONG TERM BENEFITS: 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 since 03/06/2010 | 2013 | 4 | 2,426,107 | – | 142,873 | 5,785 | 25,000 | – | – | 56,865 | – | – | 2,656,630 | – |
| | | % | | 91.32 | – | 5.38 | 0.22 | 0.94 | – | – | 2.14 | – | – | 100.00 | |
| Graham W. Burke | Chief Executive Officer since 09/09/1988 | 2013 | 2, 5 | 2,429,000 | 982,500 | 188,756 | – | 25,000 | – | – | 61,708 | – | 240,417 | 3,927,381 | 31.14% |
| | | % | | 61.85 | 25.02 | 4.80 | – | 0.64 | – | – | 1.57 | – | 6.12 | 100.00 | |
| **Executive Director KMP Subtotals** | | | | 4,855,107 | 982,500 | 331,629 | 5,785 | 50,000 | – | – | 118,573 | – | 240,417 | 6,584,011 | |
| John R. Kirby | Deputy Chairman, Non-executive Director since 01/07/2012 | 2013 | | 119,266 | – | 909 | – | 10,734 | – | – | – | – | – | 130,909 | – |
| | | % | | 91.11 | – | 0.69 | – | 8.20 | – | – | – | – | – | 100.00 | |
| Peter D. Jonson | Independent Director since 24/01/2001 | 2013 | 1 | 137,615 | – | 81 | 49,989 | 12,385 | – | – | – | – | – | 200,070 | – |
| | | % | | 68.78 | – | 0.04 | 24.99 | 6.19 | – | – | – | – | – | 100.00 | |
| D. Barry Reardon | Independent Director since 24/03/1999 | 2013 | | 150,000 | – | – | – | – | – | – | – | – | – | 150,000 | – |
| | | % | | 100.00 | – | – | – | – | – | – | – | – | – | 100.00 | |
| Peter M. Harvie | Independent Director since 07/04/2013 | 2013 | | 100,000 | – | 23 | – | – | – | – | – | – | – | 100,023 | – |
| | | % | | 99.98 | – | 0.02 | – | – | – | – | – | – | – | 100.00 | |
| David J. Evans | Independent Director since 02/01/2007 | 2013 | | 170,000 | – | 270 | – | – | – | – | – | – | – | 170,270 | – |
| | | % | | 99.84 | – | 0.16 | – | – | – | – | – | – | – | 100.00 | |
| Robert Le Tet | Independent Director since 02/04/2007 | 2013 | 1 | – | – | 81 | 139,993 | – | – | – | – | – | – | 140,074 | – |
| | | % | | – | – | 0.06 | 99.94 | – | – | – | – | – | – | 100.00 | |
| Timothy M. Antonie | Independent Director since 01/12/2010 | 2013 | 1 | 117,431 | – | 50 | 31,990 | 10,569 | – | – | – | – | – | 160,040 | – |
| | | % | | 73.38 | – | 0.03 | 19.99 | 6.60 | – | – | – | – | – | 100.00 | |
| **Non-Executive Director KMP Subtotals** | | | | 794,312 | – | 1,414 | 221,972 | 33,688 | – | – | – | – | – | 1,051,386 | |
| **Director Subtotals** | | | | 5,649,419 | 982,500 | 333,043 | 227,757 | 83,688 | – | – | 118,573 | – | 240,417 | 7,635,397 | |
| **Executives** | | | | | | | | | | | | | | | |
| Julie E. Raffe | Finance Director since 15/05/2012 | 2013 | 3, 4, 6 | 682,617 | 594,297 | 78,622 | 26,289 | 25,000 | – | – | 23,688 | – | 133,424 | 1,563,937 | 46.53% |
| | | % | | 43.65 | 38.00 | 5.03 | 1.68 | 1.60 | – | – | 1.51 | – | 8.53 | 100.00 | |
| Simon T. Phillipson | General Counsel since 13/05/1996 | 2013 | 3, 4, 6 | 544,725 | 505,277 | 1,023 | 24,352 | 25,000 | – | – | 19,648 | – | 41,256 | 1,161,281 | 47.06% |
| | | % | | 46.91 | 43.51 | 0.09 | 2.10 | 2.15 | – | – | 1.69 | – | 3.55 | 100.00 | |
| Clark J. Kirby | Chief Operating Officer since 15/05/2012 | 2013 | 3, 4, 6 | 574,647 | 479,025 | 2,702 | 42,790 | 25,000 | – | – | – | – | 61,883 | 1,186,047 | 45.61% |
| | | % | | 48.45 | 40.39 | 0.23 | 3.60 | 2.11 | – | – | – | – | 5.22 | 100.00 | |
| David Kindlen | Chief Information Officer since 01/12/2006 | 2013 | 3, 4, 6 | 284,602 | 225,371 | 157 | (5,549) | 25,000 | – | – | 19,293 | – | 20,628 | 569,502 | 43.20% |
| | | % | | 49.97 | 39.57 | 0.03 | (0.97) | 4.39 | – | – | 3.39 | – | 3.62 | 100.00 | |
| **Executive Committee KMP Subtotals** | | | | 2,086,591 | 1,803,970 | 82,504 | 87,882 | 100,000 | – | – | 62,629 | – | 257,191 | 4,480,767 | |
| **Total for Key Management Personnel for 2013** | | | | 7,736,010 | 2,786,470 | 415,547 | 315,639 | 183,688 | – | – | 181,202 | – | 497,608 | 12,116,164 | |

1. Includes value of shares issued under the Directors' Share Plan.
2. Includes amortised value of share based payment of options over ordinary shares and reversal of amortised value for lapsed 2008 options.
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 and movement in annual leave accrual.
5. Includes CFROI and EPS STI bonus accruals for 2013.
6. Includes CFROI and EPS STI bonus accruals for 2013 and paid personal performance STI bonus payment for 2012.

# 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 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Salary & Fees | Cash Bonus S.T.I. | Non-monetary Benefits | Other | Super-annuation | Retirement Benefits | Incentive Plans | Long Service Leave accrual | | | | |
| **Directors** | | | | | | | | | | | | | | | |
| Robert G. Kirby | Executive Chairman | 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 | 8 | 106,651 | – | – | 38,747 | 9,599 | – | – | – | – | – | 154,997 | – |
| | since 24/01/2001 | % | | 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.

# 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 Charter of the Company's Remuneration Committee provides for the review and decision on the compensation arrangements of the Company's Executive Director KMP, Executive Committee KMP and all other senior corporate and divisional executives, including any equity participation by 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 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 15 November 2012, when shareholders approved an aggregate remuneration level for Non-Executive Director KMP of $1,300,000 per annum (previously an aggregate annual limit set in 1998 of $800,000). This aggregate fee level includes any compensation paid to Non-Executive Director KMP who may serve on Boards of the consolidated entity. Aggregate payments to Non-Executive Director KMP have never exceeded the total pool approved by shareholders.

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

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

Board and Committee fees are set by reference to a number of relevant considerations including the responsibilities and risks attaching to the role, the time commitment expected of Non-Executive Director KMP, fees paid by peer-sized companies and independent advice received from 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 July 2012.

From July 2012, Non-Executive Director KMP have been paid at the rate of $100,000 per annum, previously $80,000 per annum, payable quarterly in arrears. In addition Non-Executive Director KMP receive an additional $20,000 per annum for each Board Committee on which they serve, other than for the Nomination Committee which is set at 50% of the Committee fee. The Lead Independent Director and, from July 2012, the Deputy Chairman, 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 2012 and 2013 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 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 on a salary sacrifice basis 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. Non-Executive Director KMP can vary their participation in

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

### 2. Structure (continued)

the DSP each calendar year. The various allotments during the year under the DSP are set out in the table below.

| Name | Allotment Date | No. shares | Issue Price |
|---|---|---|---|
| P.D. Jonson | 10 September 2012<br>10 December 2012<br>8 March 2013<br>11 June 2013 | 3,551<br>3,289<br>2,783<br>2,417 | $3.52<br>$3.80<br>$4.49<br>$5.17 |
| T.M. Antonie | 10 September 2012<br>10 December 2012<br>8 March 2013<br>11 June 2013 | 2,840<br>2,631<br>1,336<br>1,160 | $3.52<br>$3.80<br>$4.49<br>$5.17 |
| R. Le Tet | 10 September 2012<br>10 December 2012<br>8 March 2013<br>11 June 2013 | 9,943<br>9,210<br>7,795<br>6,769 | $3.52<br>$3.80<br>$4.49<br>$5.17 |

The various share, option and 'in substance option' entitlements of all Directors are advised to ASX in accordance with the Listing Rules and the 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 2013 are detailed on pages 17 and 18 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 2013 are detailed on page 15 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 financial performance against targets set by reference to appropriate benchmarks;
- reward for achievement of annually set personal performance criteria;
- 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 from time to time to advise on market levels of compensation for comparable roles in the entertainment industry. The proportion of fixed pay and variable compensation (potential short term and long term incentives) is monitored by the Remuneration Committee, taking into account the Group's then present circumstances and its future short-term and longer-term goals.

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

- Short term, fixed compensation;
- Other compensation such as post employment compensation (including superannuation);

and, 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, following a corporate cost structure review, the Company undertook a significant reduction of approximately $3.0 million in total remuneration costs of the Executive Director KMP, effective from 1 July 2011. In addition, from 1 July 2012, following the retirement of Mr. J.R. Kirby as an Executive Director KMP, further reductions in Executive KMP remuneration have been realised.

The details of the fixed and variable components (and the relevant percentages) of each individual Executive KMP of the Company and the Group are set out on pages 17 and 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. 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. During the year the Remuneration Committee commissioned a survey-based market benchmarking review from a remuneration consultant, Mercer (Australia) Pty. Ltd., for Mr. David Kindlen, the Group's Chief Information Officer. The review, for which the Company paid $2,800, was in addition to other remuneration advice provided to the Group during the year by the consultant mainly for the provision of market remuneration data for salaried staff other than for KMP totalling $5,055 (2012: $11,055). At the direction of the Remuneration Committee, the consultant was factually briefed by the Company's Finance Director, Ms. Julie Raffe, to whom Mr. Kindlen reports. The review was conducted without Mr. Kindlen's knowledge and no contact was made by the consultant with Mr. Kindlen for the purposes of conducting the review and accordingly the Company is satisfied that that the remuneration recommendation was made free from undue influence by Mr. Kindlen.

#### (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 2013 is detailed on pages 17 and 18 of this Report.

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

#### (a) Objective

For the VRL CEO and the Executive Committee KMP 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 appropriate incentive to the Executive Committee KMP to achieve the operational targets set by the Group and such that the cost to the Group is reasonable in the circumstances. The STI bonus program is also available to other non-KMP executives.

The STI is designed so that a large portion of an executive's individual remuneration is 'at risk' against meeting targets linked to the Group's annual performance and mid-term business objectives, weighted so that the more senior the executive the larger the proportion of remuneration that is at risk. For the Executive Committee KMP, their STI is a blend of financial KPIs applicable to the Group together with personal KPIs based on the relevant responsibilities of each role, whereas the VRL CEO's STI bonus is based solely on CFROI and EPS financial KPIs.

# D. EXECUTIVE KMP COMPENSATION (continued)

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

### (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 pre-determined financial performance benchmarks and/or other individual financial or non-financial criteria set at the beginning of each financial year, are met.

The Group has predetermined financial 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 financial 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% 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 Group 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 Group's underlying financial performance. Bonuses using the EPS criteria are calculated such that where the Company's EPS growth percentage is less than the growth achieved for the ASX 300 index, nil bonus is payable, and where the Company's EPS growth equals or exceeds 10% more 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 $1.0 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 2013 the CFROI bonus component amounted to $500,000 (2012: $500,000) and the EPS bonus component amounted to $482,500 (2012: $500,000) and, being due and payable, have been accrued for at 30 June 2013. The CFROI hurdle rates achieved were at 100% of the maximum hurdle rate for the 2013 financial year (2012: 100%) and the EPS bonus component for the 2013 financial year amounted to 96.6% of the maximum hurdle rate (2012: 100%).

In addition to CFROI and EPS performance criteria, for Executive Committee KMP individual personalised key performance indicators ("KPIs") are also set each year including appropriate financial and non-financial performance metrics relevant to the role, position and responsibilities of the individual. The KPIs for the following year are set for each individual Executive Committee KMP and that individual's performance against the previous year's KPIs is reviewed annually.

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 after balance date and are paid in the following October.

The STI bonus amounts shown in the Remuneration tables for Executive Committee KMP for the 2012 and 2013 years include both the accrued CFROI and EPS components for the current year, being due and payable, as well as their personal performance bonus components paid in relation to the prior financial year. Accordingly the STI figures for 2012 and 2013 in the Remuneration tables detailed on pages 17 and 18 of this Report are a composite of various years' bonus components and may not be directly comparable.

The overall review of proposed bonus payments to Executive Committee KMP is decided annually by the Remuneration Committee on the recommendation 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.

Future STI bonuses of the Executive KMP are dependent on a number of external variables, including the EPS 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 and successfully overcome.

The STI bonus arrangements for the Executive KMP for the year ended 30 June 2013 are set out as follows:

| Name | Title | Maximum STI | Methodology |
|---|---|---|---|
| Robert G. Kirby | Executive Chairman | Nil | Not Applicable |
| 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 KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance |
| Simon T. Phillipson | General Counsel | 100% base salary | 50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance |
| Clark J. Kirby | Chief Operating Officer | 100% base salary | 50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance |
| David Kindlen | Chief Information Officer | $200,000 | 50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance |

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 2013 and the relative percentage of such STI incentive remuneration to total remuneration are detailed on pages 17 and 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 2013 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;
- The 2008 Option Plan over ordinary shares to the Company's CEO ("2008 OP"); and
- The 2012 Option Plan over ordinary shares to the Company's CEO ("2012 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 part of KMP of the Company. One of these loans, over 42,900 shares, was repaid from dividends during 2012.

## D. EXECUTIVE KMP COMPENSATION (continued)

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

#### (a) Objective (continued)

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 Group.

The LTI for the VRL CEO under the 2008 OP and 2012 OP are specifically designed as 'at risk' remuneration, linked to the dividend and earnings per share performance. The performance hurdles relevant to the 2008 and 2012 grant of options to the CEO are described below.

The LTI plans for other Executive Committee KMP and senior executives have no specific performance conditions for the removal of restrictions over 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 and dividends and distributions by the Company. The LTI plan is also regarded by the Remuneration Committee as a partial retention mechanism and encourages a sense of ownership with those Executive Committee KMP and senior executives 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 other senior executives 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 and senior executive is subject. Furthermore the long term horizon of the loans from the consolidated entity for the ESP continues past the final restricted holding date of the shares for the duration of the employment of the Executive KMP and senior executive with the Group, further demonstrating the alignment of the LTI with the long term interests of the Company's shareholders.

There are no provisions within any of the LTI plans for the automatic removal of holding restrictions on 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 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 restricted or unrestricted. For the 2008 and 2012 options granted to the VRL CEO, Mr. Graham Burke, 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 and senior executives 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 five years. 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 and other senior executives' 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 and other senior executives 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 column headed 'Incentive Plan' for the relevant KMP in the Remuneration tables detailed on pages 17 and 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. The only KMP with an amount shown under the Incentive Plan column is Mr. P.M. Harvie in the 2012 year for the legacy equity-linked performance plan in which Mr. Harvie is the sole remaining participant.

A detailed summary of these various LTI plans is set out below.

#### (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. The conversion of the Company's preference shares on 16 November 2010 into ordinary shares also applied to ESP preference shares and the ESP now only relates to ordinary shares.

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.

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 are earned (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 are earned and become exercisable at the end of 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 or other senior executive resigns or is dismissed, the restricted 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 300,000 shares on 29 November 2012 at $3.78 to Ms. J.E. Raffe under the Company's Executive Share Plan (2012: 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), there have been no long term incentive plan allocations made during the year to any Executive Committee KMP.

The fair value of each ESP 'in substance option' for Ms. Raffe estimated at date of grant on 29 November 2012 was $1.05. The notional adjusted equity value of the allotment and the percentage of each Executive Committee KMP's total remuneration under the LTI are detailed on pages 17 and 18 of this Report.

## D. EXECUTIVE KMP COMPENSATION (continued)

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

#### (b) Structure (continued)

**(ii) 2008 Option Plan for CEO ("2008 OP")**

The Company's CEO, Mr. Graham Burke, an Executive Director KMP, was granted up to 6 million options over ordinary shares exercisable at $3.00 per share which were issued on 18 July 2008, 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 was reduced to $2.00 per share, effective from 19 July 2011.

All options under the 2008 OP have either lapsed or been exercised and none of these 2008 options remain at 30 June 2013.

The options were not transferable and did not confer any right to participate in bonus issues or cash issues of ordinary shares. The option exercise price would have been adjusted for discounted cash issues, and the number of shares issued on exercise of an option would have been adjusted for bonus issues of shares. The options did not carry voting or dividend rights and were 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 had a starting point of 27 cents per ordinary share on 31 December 2007 and the dividend per share ("DPS") performance hurdle had 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 were exercisable no later than 1 March 2015. In the event of termination without cause, Mr. Burke could have exercised the options that had already vested or that vested during the following 12 month period, or he could have exercised vested options within 7 days of cessation of employment in the event of termination for cause.

603,863 third tranche EPS options (2012: 507,132 second tranche EPS options) vested and 396,137 third tranche EPS options lapsed during the year (2012: 492,868 second tranche EPS options lapsed). The value of the lapsed options as at the date of lapsing was $114,880 (2012: $133,074). 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 were similarly subject to retesting in 2013 resulting in 1,000,000 DPS options vesting in March 2013. The third tranche DPS options met the minimum CAGR hurdle to vest in 2013 and resulted in 1,000,000 DPS options vesting in March 2013.

The terms of the grant of the options provided that should the Board determine that Mr. Burke had 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 would expire.

On 21 February 2013 Mr. Burke exercised 2,250,036 first and second tranche vested options into ordinary shares at $2.00 per share and on 1 March 2013 Mr. Burke exercised the remaining 2,603,863 second and third tranche vested options, also at $2.00 per share. The value at exercise date of the options exercised by Mr. Burke during the 2013 year, based on the original valuation amounts, was $1,307,772 (2012: $nil). Accordingly all options under the 2008 OP have either lapsed or been exercised and none of these 2008 options remain at 30 June 2013.

**(iii) 2012 Option Plan for CEO ("2012 OP")**

The extension in October 2012 of the employment contract of the Company's CEO, Mr. Graham Burke, an Executive Director KMP, to December 2017 included a proposed grant of up to 4.5 million options over ordinary shares. The 2012 OP is similar in design to the 2008 OP and was approved by the Company's shareholders on 15 November 2012. The options were issued on 29 November 2012 with the options being exercisable at $3.76 per share, with vesting subject to performance hurdles relating to growth in earnings per share and growth in dividends.

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.

One and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2016; one and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2017; and one and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2018.

The EPS performance hurdle has a starting point of 34.4 cents per ordinary share being diluted earnings per share before material items and discontinued operations for the year ended 30 June 2012, with growth measured on financial year performance, and the DPS performance hurdle has a starting point of 22 cents per ordinary share inclusive of franking credits, being the actual dividends paid in the 2012 calendar year, with growth measured on calendar year performance.

For all options to vest, the Company's performance must meet a minimum 8% 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 8% 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 4% CAGR in EPS over the 3 year vesting period for one quarter of each tranche to vest, and must meet a minimum 4% CAGR in dividends paid over 2 out of the 4 year vesting period for another quarter of each tranche to vest. Below 4% CAGR in either DPS or in EPS, no options vest, with a pro-rata straight line vesting scale between 4% and 8% CAGR for each performance condition.

## D. EXECUTIVE KMP COMPENSATION (continued)

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

#### (b) Structure (continued)

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") < 4% | 4% | 4% – 8% | = or >8% | |
|---|---|---|---|---|---|
| EPS CAGR hurdle achieved | Nil | 375,000 | Sliding Scale * | 750,000 | Maximum 1st Tranche Options |
| Dividend CAGR hurdle achieved# | Nil | 375,000 | Sliding Scale * | 750,000 | |
| EPS CAGR hurdle achieved | Nil | 375,000 | Sliding Scale * | 750,000 | Maximum 2nd Tranche Options |
| Dividend CAGR hurdle achieved# | Nil | 375,000 | Sliding Scale * | 750,000 | |
| EPS CAGR hurdle achieved | Nil | 375,000 | Sliding Scale * | 750,000 | Maximum 3rd Tranche Options |
| Dividend CAGR hurdle achieved# | Nil | 375,000 | Sliding Scale * | 750,000 | |

# 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 2019. In the unlikely event of the termination of Mr. Burke's contract for cause, Mr. Burke may exercise vested options within one month of cessation of employment and all unvested options will lapse. In the event of termination without cause prior to December 2017, including by way of redundancy, all option terms continue as if Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met. If Mr. Burke voluntarily terminates his employment with the Company including by way of resignation or retirement, all options terms continue for 12 months as if Mr. Burke's employment had not ceased and on that date all remaining vested and unvested options shall lapse. If Mr. Burke dies or involuntarily terminates his employment with the Company including by way of early retirement due to ill health, permanent disablement or mental incapacity, the Company retains the right to allow all option terms to continue as if Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met.

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.

The fair value of each option estimated at date of grant on 29 November 2012 was $0.73, $0.74 and $0.75 for Tranches 1, 2 and 3 respectively. The notional adjusted equity value of the option allotment and the percentage of the VRL CEO's total remuneration is detailed on page 17 of this 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 17 and 18 of this Report.

With the appointment of Ms. J.E. Raffe as Finance Director of the Company in May 2012, Ms. Raffe's proposed ESP allocation was delayed from the June ESP allotment to KMP, granted at $3.14, to 29 November 2012 to allow for shareholder approval at the Company's 2012 annual general meeting, following which they were issued at $3.78. The Company agreed to compensate Ms. Raffe with an additional bonus at the time of her future sale of these ESP shares for the additional value, if any, foregone by the deferred grant date.

This potential bonus payment to Ms. Raffe represents a cash-settled share-based payment estimated to be a maximum of $275,439, to be re-assessed at each financial year for changes in expected probability of payment. The fair value of this additional bonus amount was estimated on the basis of the estimated after-tax impact of $0.64 per share, being the difference between $3.78 and $3.14 and will be accrued over 5 years from date of grant, being $42,167 for the 2013 financial year (2012: $nil).

## 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

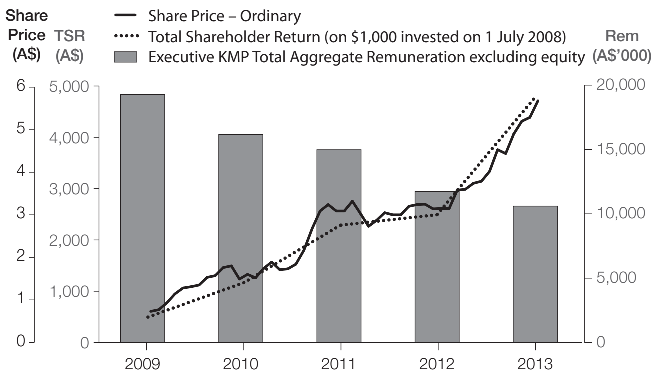
Mr. G.W. Burke is the only Executive Director KMP with a service contract. Mr. Burke's contract with the Company as CEO expires on 1 December 2017, having been extended in October 2012. In addition to base salary, CPI adjusted, superannuation and car allowance, an annual incentive performance bonus is payable for achieving certain EPS and CFROI levels capped at a maximum of $1 million per annum. The contract also provides for the granting of four and a half million options over ordinary shares with appropriate exercise hurdles, which were issued on 29 November 2012. 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. 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 unexercisable 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 adjusted 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 2008 and demonstrates the impact on shareholders of having invested

## F. COMPANY PERFORMANCE (continued)

in ordinary shares over that five year time frame. The VRL share price performance and payment of dividends and capital returns to shareholders have had a significantly positive effect on TSR over the last five years.

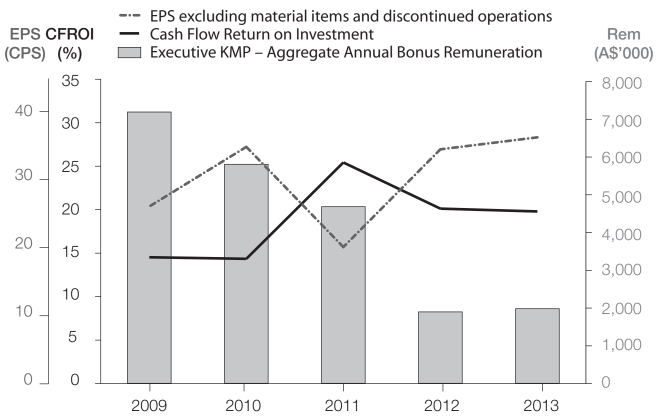
Overlaid on the TSR and share price data is the total aggregate annual remuneration, including STI bonuses, of the Executive Director KMP and Executive Committee KMP. Excluded from the total aggregate remuneration is the notional value of share based payments as described above and termination and retirement 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 Executive Director KMP and Executive Committee KMP in that year.

It is noted that the change in total remuneration has been positively impacted by the changing size and composition of the pool of relevant Executive KMP over that five year period. In the 2013 financial year there were 6 Executive KMP in total compared to 11 relevant Executive KMP in 2009, as the Company has reduced the number of senior executives over this period. In addition to a freeze on Executive KMP base remuneration from 2008 to 2010, the number of Executive KMP eligible for a STI bonus has decreased and caps on maximum STI bonus payments were introduced over this period.

The changes to the Company's corporate cost structure and to Executive Director KMP remuneration in 2011 and 2012 referred to on page 17 of this Report, are reflected in the chart above which shows aggregate annual remuneration for Executive KMP excluding share based payments having approximately halved over the five year period ended 30 June 2013.

Overlaid on the above chart is the share price movement of the Company's ordinary shares over the five years to 30 June 2013, 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 STI bonus amounts for relevant Executive KMP members shown in the above chart represent the STI amounts accrued for the year to which the payment relates. The chart reflects the total aggregate annual STI bonus remuneration of the Executive Director KMP and Executive Committee KMP for the 2013 financial year and each of the four preceding years for KPIs that are directly linked to the financial performance of the Group. 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 KPIs of relevant Executive KMP, so that the STI bonus payments displayed in the chart above are only those elements that relate to Group's financial performance benchmarks for the relevant year.

The calculation of annual bonuses shown for the relevant Executive KMP is divided into two components: half is driven by Cash Flow Return on Investment ("CFROI") and the other half is determined by Earnings Per Share ("EPS") performance. The two components together derive the STI bonus amounts shown above for the 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. 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 relevant 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 2012 and 2013 years, 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.

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.

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

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 nevertheless 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 despite the successful substantive achievement of CFROI and EPS annual KPI targets by the Executive KMP.

The combination of the reduction in the number of relevant Executive KMP and the changed remuneration arrangements for the remaining Executive KMP over the 5 year period has brought significant remuneration savings to the Company. Accordingly the Company considers that both the level and quantum of remuneration and the nature of the components of STI and LTI payments for Executive KMP are appropriate. In addition the STI and LTI 'at risk' components of Executive KMP remuneration are directly linked to specific financial performance metrics of the Group 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 and the Company's two Executive Directors, namely Mr. Robert Kirby and Mr. Graham Burke. Ms. Julie Raffe was appointed as an alternate director for Mr. Robert Kirby, Mr. John Kirby and Mr. Graham Burke in May 2012 and is not considered to be an additional Director of the Board in this statement. 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, but excluding an executive of the Village Roadshow Group appointed as an alternate director of one or more Directors to the VRL Board;

  **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.

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, Non-executive |
| Graham W. Burke | Chief Executive Officer | September 1988 | Shareholder, Executive |
| Peter M. Harvie ^ | Non-executive Director | June 2000 | Independent |
| 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, Non-executive from April 2011 and Independent from April 2013.

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 co-ordinate 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 include:

- 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 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.

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 2013, the Directors consider that an appropriate review and adequate evaluation of Directors and of Committees has been carried out.

## REMUNERATION COMMITTEE

The Committee comprises three Independent Directors. The Committee invites the Chief Executive Officer and/or Finance Director to meetings when requiring input on management and divisional performance.

The Committee's Charter makes it 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. For the Executive Directors, from July 2011 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 $100,000 per annum, payable quarterly in arrears, up from $80,000 per annum, the first increase since 2007. In addition Non-executive Directors were paid $20,000 per annum for each Board Committee on which they served, other than for the Nomination Committee whose members are paid $10,000 per annum. Board Committee Chairs are paid an additional $10,000 per annum and the Lead Independent Director and Deputy Chairman are paid 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.

## REMUNERATION COMMITTEE (continued)

The aggregate Non-executive Director fee pool was reset to $1.3 million per annum at the Company's 2012 annual general meeting, an increase from the previous fee pool of $800,000 formerly set by shareholders 14 years prior in 1998.

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. This Directors' Share Plan is due to be renewed at the Company's 2013 annual general meeting.

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

The Company introduced a Corporate Governance Committee in 2012 which comprises 3 Independent Non-executive Directors, the Chair of which may not be the Chairman of the Board or of the Audit & Risk Committee. The Committee meets at least 3 times per year.

In accordance with its charter, 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;
- 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 comprises 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 | |
| Julie E. Raffe | Finance Director | Formerly Chief Financial Officer to 15 May 2012 |
| Simon T. Phillipson | General Counsel | |
| Clark J. Kirby | Chief Operating Officer | Formerly Director Business Development & Strategy to 15 May 2012 |
| David Kindlen | Chief Information Officer | |

## 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; and
- 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.

## SHAREHOLDER MEETINGS AND COMMUNICATION (continued)

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 is then posted on the Company's 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.

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 and the revised ASX Guidance Note 8.

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.

## CORPORATE SOCIAL RESPONSIBILITY, SUSTAINABILITY AND DIVERSITY

The Company has a proud history of supporting the community in which its businesses operate including long-standing corporate support of a number of charities and not-for-profit organisations.

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 at **www.villageroadshow.com.au**.

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 2012 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 2013 the proportion of women employed across the Village Roadshow group was 57% (2012: 57%) with the Company's senior management comprising 24.5% females (2012: 26%). 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.

In accordance with the requirements of the *Workplace Gender Equality Act 2012* the Company has lodged its annual compliance report on 23 May 2013 with the Workplace Gender Equality Agency. A copy of the report can be accessed from the Company's website at **www.villageroadshow.com.au**.

## 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 and their related parties are precluded from dealing in securities of the Company during the periods one month prior to the release date of the half-year profit announcement and one month prior to the release date of the full financial year 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.

## SECURITIES TRADING POLICY (continued)

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 the Group upon appointment as a Director. All notices are tabled and recorded in the minutes of the Directors meeting 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, from July 2011 the Company has extended the scope of its incentive remuneration hedging policy 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 internal controls process 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 half-year and full-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 by the Audit & Risk Committee. 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.

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)
Clark J. Kirby
Peter A. Harris
Bryce D. Wolfe (to 30 June 2013)
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.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

| | Notes | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Income | | | |
| Revenues | 2(a) | 908,475 | 905,278 |
| Other income | 2(b) | 27,882 | 21,899 |
| Expenses excluding finance costs | 2(d) | (837,644) | (819,475) |
| Finance costs | 2(e) | (32,548) | (46,692) |
| Share of profits (losses) of associates and jointly controlled entities | 2(c) | 10,938 | 5,766 |
| **Profit from continuing operations before income tax expense** | | 77,103 | 66,776 |
| Income tax expense | 4 | (26,019) | (33,005) |
| Profit after tax from continuing operations | | 51,084 | 33,771 |
| **Discontinued operations** | | | |
| Profit after tax | | – | – |
| **Net profit for the period** | | 51,084 | 33,771 |
| Profit for the period is attributable to: | | | |
| Non-controlling interest | | 153 | – |
| Owners of the parent | | 50,931 | 33,771 |
| | | 51,084 | 33,771 |
| **Other comprehensive income (expense)** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Cash flow hedges | 20 | 1,914 | 1,302 |
| Foreign currency translation | 20 | 9,214 | (325) |
| **Other comprehensive income (expense) for the period after tax** | | 11,128 | 977 |
| **Total comprehensive income for the period** | | 62,212 | 34,748 |
| Total comprehensive income for the period is attributable to: | | | |
| Non-controlling interest | | 153 | – |
| Owners of the parent | | 62,059 | 34,748 |
| | | 62,212 | 34,748 |
| **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 | 32.7 cents | 22.3 cents |
| Diluted earnings per share | 3 | 32.3 cents | 22.0 cents |
| For profit from continuing operations for the year attributable to ordinary equity holders of Village Roadshow Limited: | | | |
| Basic earnings per share | 3 | 32.7 cents | 22.3 cents |
| Diluted earnings per share | 3 | 32.3 cents | 22.0 cents |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

| | Notes | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6(a) | 146,909 | 193,574 |
| Trade and other receivables | 7 | 112,565 | 116,198 |
| Inventories | 8 | 16,088 | 15,143 |
| Current tax assets | | 1 | 3,991 |
| Film distribution royalties | 10(b) | 49,703 | 35,955 |
| Derivatives | 32(e) | 4,982 | – |
| Other | 10(a) | 16,372 | 5,611 |
| **Total current assets** | | 346,620 | 370,472 |
| **Non-Current Assets** | | | |
| Trade and other receivables | 7 | 15,616 | 12,645 |
| Goodwill and other intangible assets | 9 | 315,554 | 295,739 |
| Investments in associates and jointly controlled entities | 11 | 25,287 | 21,119 |
| Available-for-sale investments | 12 | 358 | 2,997 |
| Property, plant & equipment | 14 | 638,896 | 534,534 |
| Deferred tax assets | 4(c) | 1,013 | 2,814 |
| Film distribution royalties | 10(b) | 99,128 | 90,484 |
| Derivatives | 32(e) | 53 | – |
| Other | 10(a) | 1,987 | 1,964 |
| **Total non-current assets** | | 1,097,892 | 962,296 |
| **Total assets** | | 1,444,512 | 1,332,768 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | 240,941 | 178,055 |
| Interest bearing loans and borrowings | 16 | 35,595 | 35,001 |
| Income tax payable | | 11,785 | 1,192 |
| Provisions | 17 | 32,308 | 29,463 |
| Derivatives | 32(e) | 6,165 | 3,563 |
| Other | 18 | 41,920 | 33,015 |
| **Total current liabilities** | | 368,714 | 280,289 |
| **Non-Current Liabilities** | | | |
| Trade and other payables | 15 | 51,232 | 63,420 |
| Interest bearing loans and borrowings | 16 | 382,892 | 412,543 |
| Deferred tax liabilities | 4(c) | 48,344 | 39,675 |
| Provisions | 17 | 18,157 | 9,670 |
| Derivatives | 32(e) | 1,423 | 4,360 |
| Other | 18 | 1,672 | – |
| **Total non-current liabilities** | | 503,720 | 529,668 |
| **Total liabilities** | | 872,434 | 809,957 |
| **Net assets** | | 572,078 | 522,811 |
| **EQUITY** | | | |
| Equity attributable to equity holders of the parent: | | | |
| Contributed equity | 19 | 234,345 | 222,853 |
| Reserves | 20 | 95,953 | 83,972 |
| Retained earnings | 20 | 230,862 | 215,986 |
| Parent interests | | 561,160 | 522,811 |
| Non-controlling interest | 21 | 10,918 | – |
| **Total equity** | | 572,078 | 522,811 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

| | Notes | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 1,010,895 | 992,771 |
| Payments to suppliers and employees | | (840,977) | (846,492) |
| Dividends and distributions received | | 7,654 | – |
| Interest and other items of similar nature received | | 7,733 | 16,972 |
| Finance costs | | (33,083) | (34,730) |
| Income taxes paid[1] | | (1,483) | (2,615) |
| **Net cash flows from (used in) operating activities** | 6(b) | 150,739 | 125,906 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property, plant & equipment | | (131,118) | (60,049) |
| Purchases of software and other intangibles | | (13,928) | (8,321) |
| Proceeds from sale of property, plant & equipment | | 208 | 1,595 |
| Purchase of equity investments | | (7,122) | (4,553) |
| Proceeds on sale of equity investments | | 2,006 | – |
| Tax on disposal of investments[1] | | – | (62,121) |
| Loans to (or repaid to) other entities | | (400) | (23,626) |
| Loans from (or repaid by) other entities | | 13,278 | 17,640 |
| **Net cash flows from (used in) investing activities** | | (137,076) | (139,435) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | 24,589 | 3,641 |
| Proceeds from issues of shares | | 9,930 | 249 |
| Repayment of borrowings | | (59,561) | (46,914) |
| Dividends and distributions paid | | (36,055) | (151,469) |
| Capital reduction | | – | (30,292) |
| **Net cash flows from (used in) financing activities** | | (61,097) | (224,785) |
| **Net (decrease) in cash and cash equivalents** | | (47,434) | (238,314) |
| Cash and cash equivalents at beginning of year | | 193,574 | 431,670 |
| Effects of exchange rate changes on cash | | 769 | 218 |
| **Cash and cash equivalents at end of year** | 6(a) | 146,909 | 193,574 |
| **Total cash classified as:** | | | |
| Continuing operations | | 146,909 | 193,574 |
| **Total cash and cash equivalents at end of the period** | | 146,909 | 193,574 |

[1] Total tax paid in 2012 was $64.7 million, including $62.1 million relating to the disposal of the Attractions and Radio divisions.

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

| | ATTRIBUTABLE TO EQUITY HOLDERS OF VILLAGE ROADSHOW LIMITED | | | | NON-CONTROLLING INTEREST (NOTE 21) | TOTAL EQUITY |
|---|---|---|---|---|---|---|
| | Issued Capital (Note 19) $'000 | Retained Earnings (Note 20) $'000 | Other Reserves (Note 20) $'000 | Total $'000 | $'000 | $'000 |
| **Balances at 1 July 2012** | 222,853 | 215,986 | 83,972 | 522,811 | – | 522,811 |
| Profit for the year | – | 50,931 | – | 50,931 | 153 | 51,084 |
| Other comprehensive income (net) | – | – | 11,128 | 11,128 | – | 11,128 |
| **Total comprehensive income (expense) for the period** | – | 50,931 | 11,128 | 62,059 | 153 | 62,212 |
| Share-based payment movements | 1,563 | – | 853 | 2,416 | – | 2,416 |
| Issue of shares under Directors' Share Plan from Directors' fees | 220 | – | – | 220 | – | 220 |
| Issue of shares from exercise of options | 9,709 | – | – | 9,709 | – | 9,709 |
| Acquisition of non-controlling interest | – | – | – | – | 10,765 | 10,765 |
| Equity dividends | – | (36,055) | – | (36,055) | – | (36,055) |
| **At 30 June 2013** | 234,345 | 230,862 | 95,953 | 561,160 | 10,918 | 572,078 |
| | | | | | | |
| **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 |

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

## 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 2013 was authorised for issue on 5 September 2013, 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 2010-8 and 2011-9 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 7: *Financial Instruments: Disclosures.*
- AASB 101: *Presentation of Financial Statements.*
- AASB 112: *Income Taxes.*
- AASB 121: *The Effect of Changes in Foreign Exchange Rates.*
- AASB 132: *Financial Instruments: Presentation.*
- AASB 133: *Earnings Per Share.*

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 2013, 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 2013, 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. 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:

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

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

#### (iii) Revenue recognition (continued)

**(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 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.

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

### (x) Impairment of financial assets (continued)

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.

### (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

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

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

### (xv) Income tax (continued)

– 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 a Tax Consolidated group, and have executed a combined Tax Sharing and Tax Funding Agreement ("TSA") in order to allocate income tax expense to the relevant 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.

*Tax effect accounting by members of the tax consolidated group*

Under the terms of the TSA, 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 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.

**(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

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

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

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 – 20 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 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).

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

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

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

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 2012 Option Plan for the Company's Chief Executive Officer, and ceasing in 2013, the 2008 Option Plan for the Company's Chief Executive Officer, which provide benefits to directors and senior executives. The grant of rights under the Executive Share Plan and Loan Facility 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 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 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.

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

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

### (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 and DVD 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 2013 and 30 June 2012 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 2013 and 30 June 2012 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 22(a)(vi)). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

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

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|

## 2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

### (a) Revenue

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Sale of goods | 330,616 | 330,642 |
| Rendering of services | 570,396 | 561,137 |
| Finance revenue — | | |
| Other entities | 7,463 | 12,858 |
| Associated entities | – | 641 |
| **Total revenues** | 908,475 | 905,278 |

### (b) Other Income

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Management Fees from — | | |
| Other entities | 2,798 | 4,338 |
| Associated entities | 1,623 | 1,978 |
| Net gains on disposal of property, plant and equipment | – | 107 |
| Net gains on disposal of investments (refer material items of income and expense in Reconciliation of Results contained in Directors' Report) | 6,842 | – |
| Unearned revenue written back | 5,042 | 4,230 |
| Commissions/fees received | 4,091 | 3,185 |
| Other | 7,486 | 8,061 |
| **Total other income** | 27,882 | 21,899 |

### (c) Share of net profits (losses) of associates and joint venture entities/partnerships accounted for using the equity method

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Share of associates' net profits (losses) (refer Note 11(a)(ii)) | 10,344 | 5,682 |
| Share of joint venture entities'/partnerships' net profits (losses) (refer Note 11(b)(ii)) | 594 | 84 |
| | 10,938 | 5,766 |

### (d) Expenses excluding finance costs

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Employee expenses — | | |
| Employee benefits | 15,938 | 13,831 |
| Defined contribution superannuation expense | 13,317 | 12,844 |
| Share-based payment expense | 895 | 371 |
| Remuneration and other employee expenses | 179,285 | 168,145 |
| Total employee expenses | 209,435 | 195,191 |
| Cost of goods sold | 76,804 | 72,767 |
| Occupancy expenses — | | |
| Operating lease rental – minimum lease payments | 41,475 | 43,400 |
| Operating lease rental – contingent rental payments | 4,788 | 4,572 |
| Other occupancy expenses | 25,245 | 23,629 |
| Total occupancy expenses | 71,508 | 71,601 |
| Film hire and other film expenses | 215,931 | 219,325 |
| Depreciation of — | | |
| Buildings & improvements | 3,104 | 2,678 |
| Plant, equipment & vehicles | 33,063 | 32,831 |
| Amortisation of — | | |
| Leasehold improvements | 9,799 | 9,438 |
| Finance lease assets | 1,381 | 1,351 |
| Deferred expenditure | 26 | 26 |
| Software and other intangibles | 6,891 | 5,638 |
| Total depreciation and amortisation | 54,264 | 51,962 |
| Net loss on disposal of property, plant & equipment | 222 | – |
| Net loss on disposal of intangibles | – | 734 |
| Net foreign currency (gains) losses | 2,108 | (376) |
| Impairments, write-downs and provisions relating to non-current assets and onerous leases (refer material items of income and expense in Reconciliation of Results contained in Directors' Report) | 14,383 | 2,750 |
| Unrealised fair value (gain) loss on foreign exchange derivatives | – | (25) |
| Management and services fees paid | 2,391 | 2,830 |
| Insurance expenses | 4,902 | 4,625 |
| Theme park operating expenses | 16,338 | 14,919 |
| Repairs and maintenance | 13,209 | 12,768 |
| Consulting fees | 7,905 | 6,258 |
| Advertising and promotions | 104,802 | 117,373 |
| Regulatory and licensing fees | 5,504 | 5,391 |
| Telecommunications | 2,823 | 2,581 |
| Legal expenses | 1,851 | 2,134 |
| General and administration expenses — | | |
| Provision for doubtful debts | (23) | (48) |
| Bad debts written off (written back) – other | 146 | (431) |
| Other general and administration expenses | 33,141 | 37,146 |
| Total general and administration expenses | 33,264 | 36,667 |
| **Total expenses excluding finance costs** | 837,644 | 819,475 |

| | 2013 $'000 | 2012 $'000 |
|---|---|---|

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

### (e) Finance costs

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Bank loans and overdrafts | 32,538 | 37,884 |
| Other | 2,647 | 3,275 |
| Fair value change on interest rate derivatives not designated in a hedging relationship | (2,637) | 5,533 |
| **Total finance costs** | 32,548 | 46,692 |

## 3 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

| | 2013 | 2012 |
|---|---|---|
| **(a) Earnings per share:** | | |
| Net profit attributable to ordinary equity holders of VRL | | |
| Basic EPS | 32.7 cents | 22.3 cents |
| Diluted EPS | 32.3 cents | 22.0 cents |
| Net profit from continuing operations attributable to ordinary equity holders of VRL | | |
| Basic EPS | 32.7 cents | 22.3 cents |
| Diluted EPS | 32.3 cents | 22.0 cents |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Net profit from continuing operations | 51,084 | 33,771 |
| Net profit attributable to non-controlling interest from continuing operations | (153) | – |
| Net profit attributable to ordinary equity holders of VRL (from continuing operations and in total) | 50,931 | 33,771 |

| | 2013 No. of Shares | 2012 No. of Shares |
|---|---|---|
| Weighted average number of ordinary shares for basic earnings per share | 155,760,052 | 151,508,835 |
| Weighted average number of ordinary shares for diluted earnings per share[1] | 157,887,682 | 153,412,594 |

[1] The issued options were reviewed and determined to represent 2,127,630 potential ordinary shares as at 30 June 2013 (2012: 1,903,759 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 2013 and 2012 are:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Statement of Comprehensive Income** | | |
| *Current income tax* | | |
| Current income tax (expense) benefit | (16,007) | 3,304 |
| Adjustments in respect of current income tax of prior years[1] | (762) | (12,455) |
| *Deferred income tax* | | |
| Relating to origination and reversal of temporary differences | (10,470) | (25,200) |
| Movements taken up in equity instead of income tax (expense) benefit | 1,220 | 1,346 |
| Income tax expense reported in statement of comprehensive income – continuing operations | (26,019) | (33,005) |

### (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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Net profit before income tax | 77,103 | 66,776 |
| At the statutory income tax rate of 30% (2012: 30%) | (23,131) | (20,033) |
| Adjustments in respect of current income tax of previous years[1] | (762) | (12,455) |
| Other assessable income | (1,290) | – |
| Non-deductible expenses | (2,106) | – |
| Net losses of overseas subsidiaries not brought to account | (1,567) | (1,958) |
| After-tax equity accounted profits (losses) included in pre-tax profit | 3,281 | 1,730 |
| Other | (444) | (289) |
| Total income tax expense – continuing operations (at effective tax rate of 33.7% (2012: 49.4%) | (26,019) | (33,005) |

[1] Included as income tax expense in material items of income and expense, in Reconciliation of Results contained in Directors' Report, for 2012.

# 4 INCOME TAX (continued)

## (c) Deferred tax

Deferred income tax at 30 June relates to the following:

| | CONSOLIDATED STATEMENT OF FINANCIAL POSITION 2013 $'000 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION 2012 $'000 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2013 $'000 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2012 $'000 |
|---|---|---|---|---|
| **CONSOLIDATED** | | | | |
| *Deferred tax liabilities* | | | | |
| Property, plant & equipment | 30,230 | 30,922 | 692 | (308) |
| Film distribution royalties | 44,649 | 37,844 | (6,805) | (15,755) |
| Intangible assets | 3,447 | 3,686 | 239 | (1,125) |
| Other | 2,229 | 5,049 | 2,820 | (521) |
| Net-down with deferred tax assets | (32,211) | (37,826) | – | – |
| Total deferred income tax liabilities | 48,344 | 39,675 | | |
| *Deferred tax assets* | | | | |
| Post-employment benefits | 6,994 | 6,291 | 703 | (689) |
| Property, plant & equipment | 13,295 | 12,056 | 1,239 | 835 |
| Sundry creditors & accruals | 2,880 | 2,457 | 423 | (276) |
| Expenses deductible over five year period | 1,140 | 937 | 203 | (414) |
| Provisions and unrealised foreign currency losses | 3,918 | 10,605 | (6,687) | (6,542) |
| Unearned income | 1,742 | 1,334 | 408 | 15 |
| Booked income tax losses & foreign tax credits | 370 | 1,996 | (1,626) | 259 |
| Other | 2,885 | 4,964 | (2,079) | (679) |
| Net-down with deferred tax liabilities | (32,211) | (37,826) | – | – |
| Total deferred income tax assets | 1,013 | 2,814 | | |
| Deferred income tax (expense) benefit | | | (10,470) | (25,200) |

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **(d) The following deferred tax assets arising from tax losses have not been brought to account as realisation of those benefits is not probable —** | | |
| Benefits for capital losses | – | 340 |

### 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 2013, VRL recognised an increase in current tax liabilities of $29.1 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 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.

# 5 DIVIDENDS DECLARED[1]

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **(a) Declared during the year** | | |
| Distribution on ordinary shares of nil cents per share (2012: 80.0 cents per share fully-franked) [3] | – | 121,167 |
| Final dividend on ordinary shares of 10.0 cents per share unfranked (2012: 8.0 cents per share fully-franked) [2] | 15,326 | 12,119 |
| Interim dividend on ordinary shares of 13.0 cents per share fully-franked (2012: 12.0 cents per share unfranked) [2] | 20,729 | 18,183 |
| | 36,055 | 151,469 |
| **(b) Declared subsequent to year-end** | | |
| Final dividend on ordinary shares of 13.0 cents per share fully-franked (2012: 10.0 cents per share unfranked) [4,5] | 20,732 | 15,324 |
| | 20,732 | 15,324 |

1 The tax rate at which paid dividends have been franked is 30% (2012: 30%).
2 The unfranked amounts (100%) of the final dividend of 10.0 cents per share declared in the year ended 30 June 2013 and the interim dividend of 12.0 cents per share declared in the year ended 30 June 2012 represent conduit foreign income.
3 The fully-franked distribution of 80.0 cents per ordinary share declared in the year ended 30 June 2012, being part of the total distribution of $1.00 per ordinary share.
4 The final dividends for the year ended 30 June 2013 and 30 June 2012, which were declared subsequent to year-end, were not accrued in the 30 June 2013 or 30 June 2012 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.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|

# 6 CASH AND CASH EQUIVALENTS

## (a) Reconciliation of cash

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Cash on hand and at bank | 48,202 | 43,415 |
| Deposits at call | 98,707 | 150,159 |
| Total cash and cash equivalents – continuing operations | 146,909 | 193,574 |
| 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 | 146,909 | 193,574 |
| Total cash and cash equivalents for the purposes of the statement of cash flows | 146,909 | 193,574 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Net profit | 51,084 | 33,771 |
| Adjustments for: | | |
| Depreciation | 36,167 | 35,509 |
| Amortisation | 18,097 | 16,453 |
| Impairment, write-downs and provisions relating to non-current assets and onerous lease (refer Note 2(d)) | 14,383 | 2,750 |
| Provisions | 3,542 | (2,813) |
| Net (gains) losses on disposal of assets | (6,804) | 628 |
| Unrealised foreign currency (profit) loss | 26 | (53) |
| Unrealised derivative (gain) loss (refer Notes 2(d) and 2(e)) | (2,637) | 5,533 |
| Share of equity accounted (profits) losses | (3,284) | (5,766) |
| Changes in assets & liabilities: | | |
| (Increase) decrease trade and other receivables | (166) | (8,445) |
| Increase (decrease) trade and other payables | 32,937 | 59,334 |
| (Increase) decrease net current tax assets | 14,066 | 5,190 |
| Increase (decrease) unearned income | 10,234 | 6,120 |
| Increase (decrease) other payables and provisions | 168 | (2,823) |
| (Increase) decrease inventories | (870) | 3,222 |
| (Increase) decrease capitalised borrowing costs | 2,271 | 2,657 |
| Increase (decrease) deferred and other income tax liabilities | 10,470 | 25,200 |
| (Increase) decrease prepayments and other assets | (28,945) | (50,561) |
| Net operating cash flows | 150,739 | 125,906 |

## (c) Financing facilities available

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| At reporting date, the following financing facilities were available: | | |
| Total facilities | 570,369 | 588,903 |
| Facilities used at reporting date | 421,755 | 452,403 |
| Facilities unused at reporting date | 148,614 | 136,500 |

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

# 7 TRADE AND OTHER RECEIVABLES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Current:*** | | |
| Trade and other receivables | 117,895 | 121,462 |
| Provision for impairment loss (a) | (5,330) | (5,264) |
| | 112,565 | 116,198 |
| ***Non-current:*** | | |
| Trade and other receivables | 14,265 | 11,355 |
| Provision for impairment loss (a) | – | (169) |
| | 14,265 | 11,186 |
| Unsecured advances – other | 1,351 | 1,459 |
| | 15,616 | 12,645 |
| Due from associated entities | 11,730 | 28,878 |
| Provision for impairment loss (b) | (11,730) | (28,878) |
| | – | – |
| | 15,616 | 12,645 |

| | 2013 $'000 | 2012 $'000 |
|---|---|---|

## 7 TRADE AND OTHER RECEIVABLES (continued)

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| At 30 June, the ageing analysis of trade and other receivables is as follows: | | |
| 0 to 3 months | 125,534 | 126,617 |
| > 3 months | 1,296 | 767 |
| 0 to 3 months – CI* | 22 | 75 |
| 3 to 6 months – CI* | 56 | 5 |
| > 6 months – CI* | 5,252 | 5,353 |
| Total trade and other receivables before provisions | 132,160 | 132,817 |

* Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2012: $0.7 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)).

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Movements in the provision for impairment loss were as follows: | | |
| Carrying amount at beginning | 5,433 | 9,726 |
| Charge for the year | 71 | 1 |
| Foreign exchange translation | 5 | 3 |
| Amounts written off for the year | (179) | (4,297) |
| Carrying amount at end | 5,330 | 5,433 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| At 30 June, the ageing analysis of amounts owing by associated entities is as follows: | | |
| 0 to 3 months – CI* | 11,730 | 28,878 |
| Total due from associated entities before provisions | 11,730 | 28,878 |

* Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2012: Nil).

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Movements in the provision for impairment loss were as follows: | | |
| Carrying amount at beginning | 28,878 | 15,499 |
| Increase for the year | – | 13,485 |
| Decrease for the year | (17,148) | (106) |
| Carrying amount at end | 11,730 | 28,878 |

## 8 INVENTORIES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Current:*** | | |
| Merchandise held for resale – at cost | 17,795 | 17,050 |
| Provision for stock loss | (1,707) | (1,907) |
| | 16,088 | 15,143 |

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

## 9 GOODWILL AND OTHER INTANGIBLE ASSETS

**FOR THE YEAR ENDED 30 JUNE 2013**

| | Film Distribution Rights $'000 | Goodwill $'000 | Brand Names[1] $'000 | Software & Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At 1 July 2012** | | | | | |
| Cost | 34,213 | 237,471 | 33,789 | 67,890 | 373,363 |
| Accumulated amortisation and impairment | (33,806) | (6,117) | (600) | (37,101) | (77,624) |
| Net carrying amount | 407 | 231,354 | 33,189 | 30,789 | 295,739 |
| **Year ended 30 June 2013** | | | | | |
| At 1 July 2012, net of accumulated amortisation and impairment | 407 | 231,354 | 33,189 | 30,789 | 295,739 |
| Additions | – | – | – | 11,402 | 11,402 |
| Net foreign currency movements arising from investments in foreign operations | – | 456 | 109 | 661 | 1,226 |
| Acquisitions resulting from business combinations (refer Note 30) | – | 11,905 | – | 1,866 | 13,771 |
| Disposals/Transfers | – | 312 | – | (5) | 307 |
| Amortisation – refer Note 2(d) | (205) | – | – | (6,686) | (6,891) |
| Net carrying amount | 202 | 244,027 | 33,298 | 38,027 | 315,554 |
| **At 30 June 2013** | | | | | |
| Cost | 34,213 | 250,144 | 33,898 | 81,814 | 400,069 |
| Accumulated amortisation and impairment | (34,011) | (6,117) | (600) | (43,787) | (84,515) |
| Net carrying amount | 202 | 244,027 | 33,298 | 38,027 | 315,554 |

# 9 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

**FOR THE YEAR ENDED 30 JUNE 2012**

| | Film Distribution Rights $'000 | Goodwill $'000 | Brand Names[1] $'000 | Software & Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At 1 July 2011** | | | | | |
| Cost | 34,213 | 237,887 | 32,726 | 57,175 | 362,001 |
| Accumulated amortisation and impairment | (32,991) | (3,283) | (600) | (32,309) | (69,183) |
| Net carrying amount | 1,222 | 234,604 | 32,126 | 24,866 | 292,818 |
| **Year ended 30 June 2012** | | | | | |
| At 1 July 2011, net of accumulated amortisation and impairment | 1,222 | 234,604 | 32,126 | 24,866 | 292,818 |
| Additions | – | – | – | 13,133 | 13,133 |
| 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) | – | – | (4,823) | (5,638) |
| Net carrying amount | 407 | 231,354 | 33,189 | 30,789 | 295,739 |
| **At 30 June 2012** | | | | | |
| Cost | 34,213 | 237,471 | 33,789 | 67,890 | 373,363 |
| Accumulated amortisation and impairment | (33,806) | (6,117) | (600) | (37,101) | (77,624) |
| Net carrying amount | 407 | 231,354 | 33,189 | 30,789 | 295,739 |

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 11.5% to 13.3% (2012: 12.6% to 14.5%). 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% (2012: 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 2013 balances as follows:

- Village Roadshow Theme Parks group – $137.1 million (2012: $137.1 million) (re: Australian Theme Park interests)
- Roadshow Distributors Pty. Ltd. group – $57.1 million (2012: $57.1 million) (re: Film Distribution interests)
- Village Cinemas Australia Pty. Ltd. – $29.4 million (2012: $28.9 million) (re: Australian Theatres Joint Venture cinema circuit)
- Village Roadshow Theme Parks USA Inc. – $3.7 million (2012: $3.4 million) (re: Wet'n'Wild Hawaii)
- Edge Loyalty Systems Pty. Ltd. – $10.7 million

### Impairment losses recognised:

An impairment loss for intangibles of $2.8 million was recognised for continuing operations in the year ended 30 June 2012. 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%. The impairment loss has been disclosed in Note 2(d) for 2012, and it is noted that there was also an impairment of goodwill relating to Wet'n'Wild Hawaii of $3.5 million in the year ended 30 June 2011. Wet'n'Wild Hawaii is a standalone cash generating unit, and the recoverable amount was based on fair value less cost to sell. The further impairment in 2012 resulted from a re-assessment based on the latest performance and forecasts at that time, and was 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 (2013: $31.1 million, 2012: $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% (2012: 3%). The pre-tax discount rates applied to cash flow projections ranged from 11.5% to 13.3% (2012: 12.6% to 14.2%).

### 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 $3.7 million.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|

## 10 OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES

### (a) Other Assets

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Current*: | | |
| Prepayments | 7,720 | 5,305 |
| Other assets | 8,652 | 306 |
| | 16,372 | 5,611 |
| *Non-current:* | | |
| Security deposits | 1,425 | 1,297 |
| Other assets | 562 | 667 |
| | 1,987 | 1,964 |

### (b) Film Distribution Royalties

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Opening balance | 126,439 | 74,383 |
| Additions | 64,127 | 88,894 |
| Foreign currency movements | 3,564 | 723 |
| Film hire and other film expenses | (45,299) | (37,561) |
| | 148,831 | 126,439 |
| Current film distribution royalties | 49,703 | 35,955 |
| Non-current film distribution royalties | 99,128 | 90,484 |
| | 148,831 | 126,439 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Non-current:* | | |
| Investments in associates | 25,125 | 19,554 |
| Investments in jointly controlled entities/partnerships | 162 | 1,565 |
| | 25,287 | 21,119 |

### (a) Investments in associates

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Current assets | 29,538 | 24,672 |
| Non-current assets | 55,356 | 51,371 |
| | 84,894 | 76,043 |
| Current liabilities | (29,599) | (15,141) |
| Non-current liabilities | (3,836) | (20,591) |
| | (33,435) | (35,732) |
| Net assets | 51,459 | 40,311 |
| Share of equity-accounted associates' net assets | 25,723 | 20,151 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Income | 57,499 | 46,115 |
| Expenses | (45,880) | (40,277) |
| Profit (loss) before income tax | 11,619 | 5,838 |
| Income tax (expense) | (1,275) | (156) |
| Share of equity-accounted associates' profit (loss) | 10,344 | 5,682 |
| Cumulative unrecognised share of associates' loss after income tax due to discontinuation of equity method | (439,633) | (388,020) |

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

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

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

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Current assets | 221 | 1,657 |
| Non-current assets | 923 | 2,232 |
| | 1,144 | 3,889 |
| Current liabilities | (817) | (1,801) |
| Non-current liabilities | (165) | (523) |
| | (982) | (2,324) |
| Net assets | 162 | 1,565 |

| | 2013 $'000 | 2012 $'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):

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Income | 9,930 | 12,260 |
| Expenses | (9,081) | (12,140) |
| Profit (loss) before income tax | 849 | 120 |
| Income tax (expense) | (255) | (36) |
| Profit (loss) after income tax | 594 | 84 |

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

Share of contingent liabilities incurred jointly with other investors – refer Note 22 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 (as disclosed in material items of income and expense in Note 30(b) in the 30 June 2011 accounts).

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 (and in the year to 30 June 2013, cash dividends of US$3.9 million (A$3.8 million) were received, which are included in the amounts shown in Note 11(a)(ii) above). 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 VREG Shareholders Agreement 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 2013 is an impairment of the investment carrying value of $0.4 million (2012: $0.4 million impairment).

## 12 AVAILABLE-FOR-SALE INVESTMENTS

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Non-current:*** | | |
| Investments at cost: | | |
| Investments in unlisted entities | 356 | 2,995 |
| Investments in listed entities | 2 | 2 |
| | 358 | 2,997 |

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 2013 | % OWNED 2012 |
|---|---|---|---|
| DEG Holdings Pty. Limited | Australia | 100.00% | 100.00% |
| Edge Loyalty Systems Pty. Limited [4] | Australia | 100.00% | – |
| Emperion Pty. Limited [3] | Australia | – | 100.00% |
| Entertainment of The Future Pty. Limited | Australia | 100.00% | 100.00% |
| Film Services (Australia) Pty. Limited | Australia | 100.00% | 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 | Australia | 100.00% | 100.00% |
| Movie World Holdings Joint Venture | Australia | 100.00% | 100.00% |
| MX Promotions Pty. Limited [3] | Australia | – | 100.00% |
| MX Services Pty. Limited [3] | Australia | – | 100.00% |
| MyFun 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 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% |
| Tarzan Films Pty. Limited [3] | Australia | – | 100.00% |
| The Waterpark LLC [4] | United States | 50.76% | – |
| The Waterpark Management LLC [4] | United States | 50.00% | – |
| VC Eye Pty. Limited (previously called Village Cinemas International Pty. Limited) | Australia | 100.00% | 100.00% |
| Village Cinemas Australia 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 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 [3] | Australia | – | 100.00% |
| Village Roadshow Developments Pty. Limited [3] | Australia | – | 100.00% |
| Village Roadshow Digital Pty. Limited | Australia | 100.00% | 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 Services Pty. Limited [3] | Australia | – | 100.00% |
| Village Roadshow Finance & Investments 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 [3] | United Kingdom | – | 100.00% |
| Village Roadshow IP Pty. Limited | Australia | 100.00% | 100.00% |
| Village Roadshow Jam Factory Pty. Limited [3] | Australia | – | 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 [3] | United Kingdom | – | 100.00% |
| Village Roadshow Mumble 2 Productions Pty. Limited [2] | Australia | 99.00% | 99.00% |
| Village Roadshow Pictures (Australia) Pty. Limited [3] | Australia | – | 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 | Australia | 100.00% | 100.00% |
| Village Roadshow Share Plan Pty. Limited | Australia | 100.00% | 100.00% |
| Village Roadshow SPV1 Pty. Limited | Australia | 100.00% | 100.00% |
| Village Roadshow Theatres Pty. Limited | Australia | 100.00% | 100.00% |
| Village Roadshow Theme Parks Holdings USA Inc. | United States | 100.00% | 100.00% |
| Village Roadshow Theme Parks 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% |

## 13 SUBSIDIARIES (continued)

| NAME | COUNTRY OF INCORPORATION [1] | % OWNED 2013 | % OWNED 2012 |
|---|---|---|---|
| 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 ESP Finance Pty. Limited | Australia | 100.00% | 100.00% |
| VR GOG Productions Inc. [2] | United States | 99.00% | 99.00% |
| VR JLA Productions Inc. [2] | United States | 99.00% | 99.00% |
| VR Leisure Holdings 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% |
| VRS Holdings Pty. Limited | Australia | 100.00% | 100.00% |
| VRTP Entertainment Pty. Limited | Australia | 100.00% | 100.00% |
| VRTP Services Pty. Limited (previously called WW Australia Pty. Limited) | Australia | 100.00% | 100.00% |
| WB Properties Australia Pty. Limited | Australia | 100.00% | 100.00% |
| Wet'n'Wild Sydney Pty. Limited (previously called Prospect Aquatic Investments Pty. Limited) | Australia | 100.00% | 100.00% |
| WSW Aviation Pty. Limited | Australia | 100.00% | 100.00% |
| WSW Units 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 Special Purpose Entities which are not consolidated.
3 Entities placed into liquidation or dissolution during the year, or partnerships terminated during the year.
4 Entities purchased during the year.

## 14 PROPERTY, PLANT & EQUIPMENT

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Land:* | | |
| At cost | 33,497 | 31,044 |
| *Buildings & improvements:* | | |
| At cost | 84,562 | 73,669 |
| Less depreciation and impairment | (24,066) | (21,546) |
| | 60,496 | 52,123 |
| *Capital work in progress* | 88,399 | 17,035 |
| *Leasehold improvements:* | | |
| At cost | 220,751 | 202,840 |
| Less amortisation and impairment | (88,812) | (73,656) |
| | 131,939 | 129,184 |
| *Plant, equipment & vehicles (owned):* | | |
| At cost | 567,643 | 518,921 |
| Less depreciation and impairment | (261,273) | (231,739) |
| | 306,370 | 287,182 |
| *Plant, equipment & vehicles (leased):* | | |
| At cost | 28,070 | 23,349 |
| Less amortisation and impairment | (9,875) | (5,383) |
| | 18,195 | 17,966 |
| | 638,896 | 534,534 |

### (a) Reconciliations

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Land:* | | |
| Carrying amount at beginning | 31,044 | 31,044 |
| Acquisitions from business combinations | 2,200 | – |
| Net foreign currency movements arising from investments in foreign operations | 253 | – |
| Carrying amount at end | 33,497 | 31,044 |
| *Buildings & improvements:* | | |
| Carrying amount at beginning | 52,123 | 51,267 |
| Additions | 11,170 | 3,530 |
| Net foreign currency movements arising from investments in foreign operations | 11 | 4 |
| Disposals/Transfers | 296 | – |
| Depreciation expense | (3,104) | (2,678) |
| Carrying amount at end | 60,496 | 52,123 |

| | 2013 $'000 | 2012 $'000 |
|---|---|---|

## 14 PROPERTY, PLANT & EQUIPMENT (continued)

### (a) Reconciliations (continued)

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Capital work in progress:*** | | |
| Carrying amount at beginning | 17,035 | 6,602 |
| Additions | 73,651 | 12,286 |
| Net foreign currency movements arising from investments in foreign operations | 39 | 18 |
| Disposals/Transfers | (2,326) | (1,871) |
| Carrying amount at end | 88,399 | 17,035 |
| ***Leasehold improvements:*** | | |
| Carrying amount at beginning | 129,184 | 133,407 |
| Additions | 10,989 | 5,465 |
| Impairment (refer below and Note 2(d)) | (551) | – |
| Net foreign currency movements arising from investments in foreign operations | 750 | 372 |
| Disposals/Transfers | 1,366 | (622) |
| Amortisation expense | (9,799) | (9,438) |
| Carrying amount at end | 131,939 | 129,184 |
| ***Plant, equipment & vehicles (owned):*** | | |
| Carrying amount at beginning | 287,182 | 277,771 |
| Additions | 59,480 | 38,768 |
| Impairment (refer below and Note 2(d)) | (8,136) | – |
| Net foreign currency movements arising from investments in foreign operations | 1,988 | 990 |
| Disposals/Transfers | (1,081) | 2,484 |
| Depreciation expense | (33,063) | (32,831) |
| Carrying amount at end | 306,370 | 287,182 |
| ***Plant, equipment & vehicles (leased):*** | | |
| Carrying amount at beginning | 17,966 | 18,491 |
| Net foreign currency movements arising from investments in foreign operations | 1,767 | 982 |
| Disposals/Transfers | (157) | (156) |
| Amortisation expense | (1,381) | (1,351) |
| Carrying amount at end | 18,195 | 17,966 |

In the year ended 30 June 2013 a detailed 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. This review included the assessment of make-good provisions likely to be required as part of the closures. Estimated carrying values and depreciation charges were reviewed, and after adjusting the depreciation charges over the remaining estimated useful lives, an impairment loss of $8.7 million has been recognised. The impairment amounts were calculated after allowing for items that will be able to be reused or redeployed, as well as any estimated sale proceeds. The total impairment amount of $8.7 million has been included in amounts disclosed in Note 2(d) for 2013.

## 15 TRADE AND OTHER PAYABLES

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Current:*** | | |
| Trade and sundry payables | 240,941 | 178,055 |
| | 240,941 | 178,055 |
| ***Non-current:*** | | |
| Trade and sundry payables | 47,693 | 58,437 |
| Owing to: | | |
| Associated entities | – | 1,595 |
| Other | 3,539 | 3,388 |
| | 51,232 | 63,420 |

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

## 16 INTEREST BEARING LOANS AND BORROWINGS

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Current:*** | | |
| Secured borrowings | 35,595 | 31,924 |
| Unsecured borrowings | – | 3,000 |
| Finance lease liabilities (refer Note 23(a)) | – | 77 |
| | 35,595 | 35,001 |
| ***Non-current:*** | | |
| Secured borrowings | 382,892 | 412,543 |
| | 382,892 | 412,543 |

## 16 INTEREST BEARING LOANS AND BORROWINGS (continued)

**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 2013 (30 June 2012: $100 million). This facility, which was undrawn as at 30 June 2013 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 $1,272.3 million (2012: $1,287.7 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.

## 17 PROVISIONS

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Current:* | | |
| Employee benefits | 26,488 | 23,588 |
| Make good provision | 240 | – |
| Other | 5,580 | 5,875 |
| | 32,308 | 29,463 |
| *Non-current:* | | |
| Employee benefits | 2,465 | 2,270 |
| Make good provision | 7,201 | 2,379 |
| Other | 8,491 | 5,021 |
| | 18,157 | 9,670 |
| *Employee benefit liabilities:* | | |
| Provision for employee benefits: | | |
| Current | 26,488 | 23,588 |
| Non-current | 2,465 | 2,270 |
| Aggregate employee benefit liability | 28,953 | 25,858 |

### (a) Reconciliations

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Make good provision:* | | |
| Carrying amount at the beginning of the financial year | 2,379 | 1,669 |
| Amounts added during the year | 5,132 | 723 |
| Amounts utilised during the year | (117) | (60) |
| Discount adjustment | 47 | 47 |
| Carrying amount at the end of the financial year | 7,441 | 2,379 |
| *Other provisions:* | | |
| Carrying amount at the beginning of the financial year | 10,896 | 10,100 |
| Increase in provision | 3,935 | 1,312 |
| Amounts utilised during the year | (778) | (521) |
| Net foreign currency movements arising from investments in foreign operations | 18 | 5 |
| Carrying amount at the end of the financial year | 14,071 | 10,896 |

**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. In addition, make good provisions have been taken up in relation to the likely closure of rides/attractions in the Theme Parks division (refer also to Note 14). Because of the long term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred.

**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.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **18 OTHER LIABILITIES** | | |
| *Current:* | | |
| Unearned revenue | 41,920 | 33,015 |
| | 41,920 | 33,015 |
| *Non-current:* | | |
| Unearned revenue | 1,672 | – |
| | 1,672 | – |

## 19 CONTRIBUTED EQUITY

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Issued & fully paid up capital:*** | | |
| Ordinary shares | 251,782 | 236,932 |
| Employee share loans deducted from equity [1] | (17,437) | (14,079) |
| | 234,345 | 222,853 |

[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. Under the terms of the Executive Share Plan & Loan Facility 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 2013 and 2012 years, movements in fully paid shares on issue were as follows:

| | CONSIDERATION | | NO. OF SHARES | |
|---|---|---|---|---|
| | 2013 $'000 | 2012 $'000 | 2013 Thousands | 2012 Thousands |
| **(a) Ordinary shares:** | | | | |
| Beginning of the financial year | 236,932 | 261,637 | 153,240 | 151,459 |
| Capital reduction – July 2011 – $0.20 per share | – | (30,291) | – | – |
| Allotment – September 2011 at $3.00 – Directors' Share Plan | – | 77 | – | 26 |
| Allotment – December 2011 at $3.02 – Directors' Share Plan | – | 77 | – | 25 |
| Allotment – March 2012 at $3.10 – Directors' Share Plan | – | 47 | – | 15 |
| Allotment – June 2012 at $3.14 – Employee Share Plan | – | 5,338 | – | 1,700 |
| Allotment – June 2012 at $3.14 – Directors' Share Plan | – | 47 | – | 15 |
| Allotment – September 2012 at $3.52 – Directors' Share Plan | 57 | – | 16 | – |
| Allotment – October 2012 at $3.52 – Employee Share Plan | 2,218 | – | 630 | – |
| Allotment – November 2012 at $3.78 – Employee Share Plan | 1,134 | – | 300 | – |
| Allotment – December 2012 at $3.80 – Directors' Share Plan | 57 | – | 15 | – |
| Allotment – December 2012 at $3.92 – Employee Share Plan | 1,568 | – | 400 | – |
| Share issue on exercise of options – February 2013 at $2.00 | 4,501 | – | 2,250 | – |
| Share issue on exercise of options – March 2013 at $2.00 | 5,209 | – | 2,604 | – |
| Allotment – March 2013 at $4.49 – Directors' Share Plan | 53 | – | 12 | – |
| Allotment – June 2013 at $5.17 – Directors' Share Plan | 53 | – | 10 | – |
| End of the financial year | 251,782 | 236,932 | 159,477 | 153,240 |

**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. 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. 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. During the year ended 30 June 2013, 1,000,000 second tranche options and 1,603,863 third tranche options vested and 396,137 third tranche options lapsed.

In accordance with a special resolution of the Company's shareholders on 15 November 2012, 4,500,000 options over ordinary shares were allotted to Mr. Graham W. Burke, the Chief Executive Officer. 1,500,000 options are exercisable at an exercise price of $3.76 not earlier than 1 March 2016; 1,500,000 options are exercisable at an exercise price of $3.76 not earlier than 1 March 2017; and 1,500,000 options are exercisable at an exercise price of $3.76 not earlier than 1 March 2018.

All the options are subject to performance hurdles as outlined in Note 25 and are exercisable no later than 1 March 2019 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.

## 19 CONTRIBUTED EQUITY (continued)

**Issued Options:** (continued)

As at 30 June 2013, the details of outstanding options over ordinary shares were as follows:

| Number of options | Expiry date | Exercise price per option |
|---|---|---|
| 1,500,000 | 1 March 2019 | $3.76 |
| 1,500,000 | 1 March 2019 | $3.76 |
| 1,500,000 | 1 March 2019 | $3.76 |

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

### Terms and conditions of contributed equity

**Ordinary shares**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, holders of such shares have the right to participate in the distribution of any surplus assets 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 that the Group 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 Group.

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 gearing ratios at 30 June 2013 and 2012 were as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Total borrowings | 418,487 | 447,544 |
| Less cash and cash equivalents | (146,909) | (193,574) |
| Net debt | 271,578 | 253,970 |
| Total equity | 572,078 | 522,811 |
| Total capital | 843,656 | 776,781 |
| Gearing ratio | 32% | 33% |

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

## 20 RESERVES AND RETAINED EARNINGS

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***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 | (15,394) | (15,069) |
| Amount relating to translation of accounts & net investments before tax effect | 9,614 | 463 |
| Tax effect of relevant movements for year | (400) | (788) |
| Balance at end of year | (6,180) | (15,394) |
| ***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 | (462) | (1,764) |
| Movement on effective hedging instruments during the year before tax effect | 2,734 | 1,860 |
| Tax effect of movement on effective hedging instruments during the year | (820) | (558) |
| Balance at end of year | 1,452 | (462) |
| ***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 | 8,010 | 7,639 |
| Share based payment movements | 853 | 371 |
| Balance at end of year | 8,863 | 8,010 |

| | 2013 $'000 | 2012 $'000 |
|---|---|---|

## 20 RESERVES AND RETAINED EARNINGS (continued)

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***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 |
| Total reserves | 95,953 | 83,972 |
| ***Retained earnings:*** | | |
| Balance at the beginning of year | 215,986 | 333,684 |
| Net profit attributable to members of VRL | 50,931 | 33,771 |
| Total available for appropriation | 266,917 | 367,455 |
| Dividends and distributions provided or paid | (36,055) | (151,469) |
| Balance at end of year | 230,862 | 215,986 |

## 21 NON-CONTROLLING INTEREST

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Non-controlling interest in subsidiaries: | | |
| Contributed equity | 10,765 | – |
| Retained earnings | 153 | – |
| | 10,918 | – |

## 22 CONTINGENCIES

### (a) Contingent liabilities[1]

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| ***Best estimate of amounts relating to:*** | | |
| (i) Bank guarantees for commitments of subsidiaries | 5,712 | 6,486 |
| (ii) Joint and several obligations for operating lease commitments of joint venture partners [2] | 64,237 | 60,093 |
| (iii) Corporate guarantees for commitments of subsidiaries | 317 | 317 |
| | 70,266 | 66,896 |

1 The 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 22(b)(i) for corresponding amount reflecting the related contingent assets.

### (iv) Claims – General:

A number of claims have been lodged against the Group in relation to various matters. 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:

As disclosed in Note 21(a)(v) in the 30 June 2012 financial report, VRL had provided guarantees in relation to monies owing by Village Roadshow Entertainment Group Limited ("VREG") to Warner Bros. Entertainment Inc. ("WB") and its affiliates, and it was also noted that VRL did not believe that any future payments would have been required under these guarantees.

As advised to the Australian Securities Exchange on 27 November 2012, VREG extended its long-standing partnership with WB to the end of 2017, and also renewed and upsized its film production finance to US$1.1 billion through to 2017 to finance its future slate of films. The extension of these arrangements was coupled with the termination of VRL's guarantees to WB, resulting in the elimination of all of VRL's contingent liabilities relating to VREG as previously disclosed in Note 21(a)(v) in the 30 June 2012 financial report.

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

As disclosed in Note 21(a)(vi) in the 30 June 2012 financial report, 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.

The Australian Taxation Office ("ATO") advised in November 2012 that it intended to conduct a Client Risk Review of the VRL group in relation to the financial years 2008 to 2011, and that review process commenced in December 2012, and was expected to be finalised around the end of August 2013. The ATO advised that following the Client Risk Review, the ATO would determine any further action, which could include a tax audit.

The ATO has subsequently advised that the Client Risk Review has been completed, and that the review has not identified any risks that need further action at this time. The ATO advised that they may undertake future reviews of the risks identified.

### (vii) Belfast Rent Dispute:

As disclosed in Note 21(a)(vii) in the 30 June 2012 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 2013.

### (viii) Other contingent liabilities – Legal action relating to former subsidiary in Sydney Attractions Group:

A former subsidiary of VRL, within the Sydney Attractions Group ("SAG"), took legal proceedings to claim amounts owed by the vendor of a business sold to SAG. The vendor lodged a counter-claim in those proceedings. The NSW Supreme Court heard the case in November and December 2012, and a judgement was handed down in June 2013, with a further decision handed down in late August 2013.

The judgement found against SAG on key issues, but also dismissed key elements of the vendor's counter-claim. Further hearings will be required in order to determine amounts payable, and an appeal is also possible. However, in light of the judgement, VRL has made a provision as at 30 June 2013.

The final net amount payable by VRL may differ from the provision taken up as at 30 June 2013, but the difference is not expected to be material.

## 22 CONTINGENCIES (continued)

### (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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| (i) Right of recourse in relation to joint and several obligations for operating lease commitments of joint venture partners [1] | 64,237 | 60,093 |

[1] refer Note 22(a)(ii) for corresponding amount reflecting the related contingent liabilities.

## 23 COMMITMENTS

### (a) Finance leases

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

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | 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 | 77 |
| Less future finance charges | – | – | (3) | – |
| Total finance lease liabilities | – | – | 77 | 77 |

### (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 44 years, and the Wet'n'Wild Sydney ground lease which has a remaining term of 50 years.

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **(i) Operating leases – Minimum lease payments:** | | |
| Payable within 1 year | 41,275 | 37,968 |
| Payable between 1 and 5 years | 142,824 | 133,162 |
| Payable after 5 years | 265,282 | 233,784 |
| | 449,381 | 404,914 |
| **(ii) Operating leases – Percentage based lease payments:** [1] | | |
| Payable within 1 year | 5,677 | 5,735 |
| Payable between 1 and 5 years | 20,191 | 19,486 |
| Payable after 5 years | 33,383 | 35,253 |
| | 59,251 | 60,474 |
| Total operating lease commitments | 508,632 | 465,388 |

[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.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **(c) Other expenditure commitments** | | |
| Estimated capital and other expenditure contracted for at reporting date but not provided for: | | |
| Payable within one year | 77,813 | 27,115 |
| Payable between 1 and 5 years | 4,954 | 11,615 |
| Payable later than 5 years | 2,477 | 2,940 |
| Total other expenditure commitments | 85,244 | 41,670 |

As at 30 June 2013, 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 or accrued, and included with capital work in progress in Note 14, or included in the amounts disclosed in Note 23(c), is approximately $9.5 million (2012: $90 million).

# 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 | |
|---|---|---|---|---|
| | 2013 $ | 2012 $ | 2013 $ | 2012 $ |
| Short-Term | 11,253,666 | 11,914,676 | 11,253,666 | 11,914,676 |
| Post-Employment | 183,688 | 2,092,030 | 183,688 | 2,092,030 |
| Other Long-Term | 181,202 | 258,640 | 181,202 | 258,640 |
| Termination Benefits | – | – | – | – |
| **Sub-totals** | 11,618,556 | 14,265,346 | 11,618,556 | 14,265,346 |
| Share-based Payment | 497,608 | 295,974 | 497,608 | 295,974 |
| **Totals** | 12,116,164 | 14,561,320 | 12,116,164 | 14,561,320 |

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

Shares held in Village Roadshow Limited (number)

| 2013 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[2] | 77,859,352 | – | – | (6,692,353) | 71,166,999 |
| John R. Kirby[2] | 77,859,352 | – | – | (6,692,353) | 71,166,999 |
| Graham W. Burke[2] | 77,859,352 | – | 4,853,899 | (11,546,252) | 71,166,999 |
| Peter D. Jonson | 73,424 | 12,040 | – | – | 85,464 |
| D. Barry Reardon | 28,552 | – | – | – | 28,552 |
| Peter M. Harvie | 42,900 | – | – | – | 42,900 |
| David J. Evans | 111,971 | – | – | – | 111,971 |
| Robert Le Tet | 50,847 | 33,717 | – | – | 84,564 |
| Tim Antonie | 12,747 | 7,967 | – | – | 20,714 |
| *Executives* | | | | | |
| Julie E. Raffe | – | – | – | – | – |
| Clark J. Kirby | 2,500 | – | – | – | 2,500 |
| Simon T. Phillipson | 200,000 | – | – | – | 200,000 |
| David Kindlen | 23,025 | – | – | – | 23,025 |

| 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[2] | 77,859,352 | – | – | – | 77,859,352 |
| John R. Kirby[2] | 77,859,352 | – | – | – | 77,859,352 |
| Graham W. Burke[2] | 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 |

1 Allotments under Directors' Share Plan from Directors Fees.

2 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.

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

During the 2012 and 2013 years there were no loans to Key Management Personnel.

All loans to purchase shares under the Company's Executive Share Plan and the Company's legacy equity-linked performance plan for Key Management Personnel have been described as 'in substance options', details of which 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.

## 24 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### (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 2013 was $302,595 (2012: $400,561). 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 $289,764 for the year ended 30 June 2013 (2012: $304,061). 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 $53,989 for the year ended 30 June 2013 (2012: $66,555). 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 2013 was $77,411 (2012: $38,932).

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 2013 was $4,370 (2012: $45,563).

As at 30 June 2013, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was $19,251 (2012: $10,977), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was $8,235 (2012: $698).

## 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 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 Company's Executive Share Plan and Loan Facility ("ESP") introduced in 1996;
2. The 2008 Option Plan over ordinary shares to the Company's CEO ("2008 OP"); and
3. The 2012 Option Plan over ordinary shares to the Company's CEO ("2012 OP").

At 30 June 2013 both the ESP and 2012 OP remain in operation.

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 part of KMP of the Company. One of these loans, over 42,900 shares, was repaid from dividends during the 2012 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 plan 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 plan for senior executives of the consolidated entity has no specific performance conditions for the removal of restrictions over the relevant shares other than successful achievement of annual performance criteria. Any value accruing to KMP and senior executives from the LTI plan is derived from improvement in the Company's share price and dividends and distributions by the Company. The LTI plan also encourages a sense of ownership with those senior executives to whom the LTI plan shares 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 'in-substance options' are 'earned' and the long term horizon of the loans from the consolidated entity for the ESP for the duration of the employees' employment are appropriate given the shorter term annual performance hurdles to which each senior executive is subject. Similarly, the three, four and five year vesting periods of the ordinary options granted to the entity's CEO in both the 2008 OP and 2012 OP, together with the performance conditions attaching to each tranche of options, are designed to encourage performance and to closely align the CEO's interests with those of shareholders.

There are no provisions within any of the LTI plans for the automatic removal of restrictions on the relevant shares in the event of a change of control of the Company.

The ESP has 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 restricted or unrestricted. For the CEO's 2008 and 2012 ordinary options, the terms of the offers specifically prohibit the hedging of unvested options by Mr. Burke.

From 1 January 2005, 'in substance options' granted as part of employee and executive compensation have been valued using the Black-Scholes or binomial option-pricing model or the Monte Carlo simulation technique, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the 'in substance option'.

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

#### (i) Executive Share Plan and Loan Facility ("ESP")

The Company's ESP was approved by shareholders on 19 November 1996 and allows for the issue of up to 5% of the Company's issued A Class Preference shares (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 applied to ESP preference shares and the ESP is now ordinary share based. 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 are earned and become exercisable 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 at the end of years 3, 4 and 5 from the date of issue, 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 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

## 25 SHARE BASED PAYMENT PLANS (continued)

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

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

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 and exercisable periods resulting in an increase in employee benefits expense of $nil for the 2013 financial year (2012: $77,373).

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 and exercisable periods resulting in an increase in employee benefits expense of $nil for the 2013 financial year (2012: $11,331).

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 and exercisable periods resulting in an increase in employee benefits expense of $43,033 for the 2013 financial year (2012: $73,770).

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 and exercisable periods resulting in an increase in employee benefits expense of $350,672 for the 2013 financial year (2012: $1,921).

On 22 October 2012, 630,000 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: $3.52;
- Expected volatility: 35% – based on historical volatility;
- Risk-free interest rate: 2.78% – based on the 8 year Australian Government bond yield; 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 and exercisable periods resulting in an increase in employee benefits expense of $109,030 for the 2013 financial year (2012: $nil).

On 29 November 2012, 300,000 ordinary shares were allotted under the ESP to Ms. J.E. Raffe. 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: $3.78;
- Expected volatility: 35% – based on historical volatility;
- Risk-free interest rate: 3.07% – based on the 8 year Australian Government bond yield; and
- Expected life of options: 8 years.

The resulting fair values per option for those 'in substance options' was $1.05.

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of $48,223 for the 2013 financial year (2012: $nil).

For the June 2012 allotment, the ESP shares were granted at $3.14 to all executives other than Ms. Raffe, whose allocation was delayed to 29 November 2012 at an issue price of $3.78 to allow for shareholder approval at the Company's 2012 annual general meeting. The Company agreed to compensate Ms. Raffe with an additional bonus at the time of her future sale of ESP shares for the additional value, if any, foregone by the deferred grant date. This potential bonus payment to Ms. Raffe represents a cash-settled share-based payment estimated to be a maximum of $275,439, to be re-assessed at each financial year for changes in the expected probability of payment. The fair value of this cash-settled share-based payment was estimated on the basis of the estimated after-tax impact of $0.64 per share, being the difference between $3.78 and $3.14 and will be accrued over 5 years from date of grant, being $42,167 for the 2013 financial year (2012 $nil).

On 20 December 2012, 400,000 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: $3.92;
- Expected volatility: 35% – based on historical volatility;
- Risk-free interest rate: 3.21% – based on the 8 year Australian Government bond yield; and
- Expected life of options: 8 years.

The resulting fair values per option for those 'in substance options' was $1.12.

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of $61,854 for the 2013 financial year (2012: $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 ESP are also referred to as 'in substance options' even though the equity instrument itself is not an option.

#### (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 were not transferable and did not confer any right to participate in bonus issues or cash issues of ordinary shares. The option exercise price would have been adjusted for discounted cash issues, and the number of shares issued on exercise of an option would have been adjusted for bonus issues of shares. The options did not carry voting or dividend rights and were 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 had a starting point of 27 cents per ordinary share on 31 December 2007 and the dividend per share ("DPS") performance hurdle had 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

## 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)

meet a minimum 5% CAGR in dividends paid over 2 out of the 4 year vesting period for another quarter of each tranche to vest. Below 5% CAGR in either dividends or in EPS no options vest, with a pro-rata straight line vesting scale between 5% and 10% CAGR for each performance condition. The effect of the performance hurdles on the potential vesting of the options can be illustrated as follows:

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

# Subject to '2 out of 4 years' test
* A pro rata straight line vesting scale applies.

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

During the year ended 30 June 2013, 603,863 third tranche EPS options (2012: 507,132 second tranche EPS options) vested and 396,137 (2012: 492,868) EPS options lapsed. The value of the lapsed options as at the date of lapsing was $114,880 (2012: $133,074). 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 were similarly subject to retesting in 2013 resulting in 1,000,000 DPS options vesting in March 2013. The third tranche DPS options met the minimum CAGR hurdle to vest in 2013 and resulted in 1,000,000 DPS options vesting in March 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.

On 21 February 2013 Mr Burke exercised 2,250,036 first and second tranche vested options into ordinary shares at $2.00 per share and on 1 March 2013, Mr. Burke exercised the remaining 2,603,863 second and third tranche vested options, also at $2.00 per share. The value at exercise date of the options exercised by Mr. Burke during the 2013 year, based on the original valuation amounts, was $1,307,772 (2012: $nil). Accordingly all options under the 2008 OP have either lapsed or been exercised and none of these 2008 options remain at 30 June 2013.

The fair value of each option had 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 a credit to employee benefits expense of $235,043 for the 2013 financial year (2012: expense of $206,439).

#### (iii) 2012 Option Plan over ordinary shares to the entity's CEO ("2012 OP")

On 15 November 2012, the Company's shareholders approved the 2012 OP, granting 4.5 million options over ordinary shares to the Company's CEO, Mr. G.W. Burke. The options were issued on 29 November 2012 being exercisable at $3.76 per share, with vesting subject to performance hurdles relating to growth in earnings per share and growth in dividends.

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.

One and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2016; one and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2017; and one and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2018.

The EPS performance hurdle has a starting point of 34.4 cents per ordinary share being diluted earnings per share before material items and discontinued operations for the year ended 30 June 2012, with growth measured on financial year performance, and the DPS performance hurdle has a starting point of 22 cents per ordinary share inclusive of franking credits, being the actual dividends paid in the 2012 calendar year, with growth measured on calendar year performance.

For all options to vest, the Company's performance must meet a minimum 8% CAGR in EPS over the 3 year vesting period for half of each tranche to vest, and must meet a minimum 8% 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 4% CAGR in EPS over the 3 year vesting period for one quarter of each tranche to vest, and must meet a minimum 4% CAGR in dividends paid over 2 out of the 4 year vesting period for another quarter of each tranche to vest. Below 4% CAGR in either DPS or in EPS, no options vest, with a pro-rata straight line vesting scale between 4% and 8% 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") | | | | |
|---|---|---|---|---|---|
| | < 4% | 4% | 4% – 8% | = or >8% | |
| EPS CAGR hurdle achieved | Nil | 375,000 | Sliding Scale * | 750,000 | Maximum 1st Tranche Options |
| Dividend CAGR hurdle achieved# | Nil | 375,000 | Sliding Scale * | 750,000 | |
| EPS CAGR hurdle achieved | Nil | 375,000 | Sliding Scale * | 750,000 | Maximum 2nd Tranche Options |
| Dividend CAGR hurdle achieved# | Nil | 375,000 | Sliding Scale * | 750,000 | |
| EPS CAGR hurdle achieved | Nil | 375,000 | Sliding Scale * | 750,000 | Maximum 3rd Tranche Options |
| Dividend CAGR hurdle achieved# | Nil | 375,000 | Sliding Scale * | 750,000 | |

# 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 2019. In the unlikely event of the termination of Mr. Burke's contract for cause, Mr. Burke may exercise vested options within one month of cessation of employment and all unvested options will lapse. In the event of termination without cause prior to December 2017, including by way of redundancy, all option terms continue as if Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met. If Mr. Burke voluntarily terminates his employment with the Company including by way of resignation or retirement, all options terms continue for 12 months as if Mr. Burke's employment had not ceased and on that date all remaining vested and unvested options shall lapse. If Mr. Burke dies or involuntarily terminates his employment with the Company including by way of early retirement due to ill health, permanent disablement or mental incapacity, the Company retains the right to allow all option terms to continue as if

## 25 SHARE BASED PAYMENT PLANS (continued)

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

#### (iii) 2012 Option Plan over ordinary shares to the entity's CEO ("2012 OP") (continued)

Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met.

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.

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: 6%;
- Risk-free interest rate: 2.75%; and
- Expected life of options: 3, 4 and 5 years ended 1 March 2016, 2017 and 2018 with expiry at 1 March 2019.

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 $0.73, $0.74 and $0.75 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 $475,460 for the 2013 financial year (2012: $nil).

#### (iv) Holdings of Executive Directors and Senior Managers

Other than the ESP allotment in November 2012 to Ms. J.E. Raffe and the issue of the CEO's 2012 options described above, there have been no allotments to KMP under any share based payment plan during the year ended 30 June 2013 (2012: ESP allotment of 600,000 ordinary shares to Messrs S.T. Phillipson, D. Kindlen and C.J. Kirby).

The number of shares in the Company 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 2013<br>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 | 5,250,036 | 4,500,000 | (4,853,899) | (396,137) | 4,500,000 | – |

| 30 JUNE 2012<br>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 |

Other than the 'in substance options' described in Note 25(b)(i) above, no options are vested 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 2013<br>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 | 457,400 | – | – | – | 457,400 |
| *Executives* | | | | | |
| Julie E. Raffe[1] | 700,000 | 300,000 | – | – | 1,000,000 |
| Simon T. Phillipson | 400,000 | – | – | – | 400,000 |
| Clark J. Kirby | 300,000 | – | – | – | 300,000 |
| David Kindlen | 250,000 | – | – | – | 250,000 |

| 30 JUNE 2012<br>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[2] | 500,300 | – | (42,900) | – | 457,400 |
| *Executives* | | | | | |
| Julie E. Raffe | 700,000 | – | – | – | 700,000 |
| Simon T. Phillipson[3] | 200,000 | 200,000 | – | – | 400,000 |
| Clark J. Kirby[3] | – | 300,000 | – | – | 300,000 |
| David Kindlen[3] | 150,000 | 100,000 | – | – | 250,000 |

1 Includes allotment of ordinary shares on 29 November 2012.
2 Includes repayment of loan from dividends during the year.
3 Includes allotment of ordinary shares on 29 June 2012.

## 25 SHARE BASED PAYMENT PLANS (continued)

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

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

| | BALANCE AT THE START OF THE YEAR | INTEREST CHARGED | INTEREST NOT CHARGED[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 2013** | | | | | | |
| Directors | 960,468 | 43,710 | – | – | 893,399 | 1 |
| Executives | 4,220,788 | 264,000 | – | – | 5,277,538 | 4 |
| Total KMP | 5,181,256 | 307,710 | – | – | 6,170,937 | 5 |
| **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 |

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

| 30 JUNE 2013<br>NAME | 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 | 960,468 | 43,710 | – | – | 893,399 | 971,964 |
| *Executives* | | | | | | |
| Julie E. Raffe | 1,467,404 | 109,000 | – | – | 2,555,904 | 2,658,815 |
| Simon T. Phillipson | 1,124,791 | 60,000 | – | – | 1,108,791 | 1,150,051 |
| Clark J. Kirby | 942,000 | 60,000 | – | – | 937,500 | 972,000 |
| David Kindlen | 686,593 | 35,000 | – | – | 675,343 | 700,538 |

| 30 JUNE 2012<br>NAME | 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 | 3,278,831 |
| *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 |

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.

#### (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.

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

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Number | WAEP – $ | Number | WAEP – $ |
| Outstanding at Beginning of Year | 11,007,436 | 2.96 | 9,863,204 | 2.85 |
| Granted during the Year | 5,830,000 | 3.75 | 1,700,000 | 3.14 |
| Forfeited/lapsed during the Year | (396,137) | 2.00 | (492,868) | 3.00 |
| Exercised during the Year | (5,728,899) | 1.92 | (62,900) | 0.81 |
| Expired during the year | – | – | – | – |
| Outstanding at the end of the Year | 10,712,400 | 3.43 | 11,007,436 | 2.96 |
| Exercisable at the end of the Year | 2,972,400 | 3.07 | 6,027,436 | 2.92 |

## 25 SHARE BASED PAYMENT PLANS (continued)

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

### (v) The outstanding balance as at 30 June 2013 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: 5,955,000 'in substance options' over ordinary shares in the Company with issue prices ranging from $2.35 to $3.92.
Option Plan for CEO: 4,500,000 options over ordinary shares in the Company exercisable at $3.76 each with an expiry date of 1 March 2019.

## 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 —

| | 2013 $ | 2012 $ |
|---|---|---|
| ***Ernst & Young (Australia) —*** | | |
| An audit or review of the financial report of VRL and any other entity in the VRL group | 1,311,550 | 1,263,189 |
| Other services in relation to VRL and any other entity in the VRL group: | | |
| Tax | 159,522 | 345,000 |
| Advisory/Corporate Finance | 40,500 | 342,000 |
| Assurance related | 36,800 | 33,000 |
| | 1,548,372 | 1,983,189 |
| ***Auditors other than Ernst & Young (Australia) -*** | | |
| Other services in relation to any entity in the VRL group: | | |
| Tax | 164,732 | 331,000 |
| Advisory/Corporate Finance | 5,681 | 187,000 |
| Assurance related | – | 6,000 |
| | 170,413 | 524,000 |
| | 1,718,785 | 2,507,189 |

## 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 2013 | 2013 $'000 | 2012 $'000 |
| Australian Theatres | Multiplex cinema operator | 50.00% | 32,665 | 29,022 |
| Browns Plains Multiplex Cinemas | Multiplex cinema operator | 33.33% | 70 | 73 |
| Carlton Nova/Palace | Cinema operator | 25.00% | 568 | 584 |
| Castle Towers Multiplex Cinemas | Multiplex cinema operator | 33.33% | 1,282 | 1,101 |
| Geelong Cinemas | Cinema operator | 50.00% | 700 | 653 |
| Jam Factory Cinemas | Cinema operator | 50.00% | 678 | 285 |
| Morwell Multiplex Cinemas | Cinema operator | 75.00% | 679 | 611 |
| Mt. Gravatt Multiplex Cinemas | Cinema operator | 33.33% | 1,179 | 1,088 |
| Village/GUO/BCC Cinemas | Cinema operator | 50.00% | 2,997 | 2,899 |
| Village/Sali Cinemas Bendigo | Cinema operator | 50.00% | 881 | 799 |
| Village Warrnambool Cinemas | Cinema operator | 50.00% | 158 | 206 |
| Werribee Cinemas | Cinema operator | 50.00% | 802 | 650 |
| | | | 42,659 | 37,971 |

There were no impairment losses in the jointly controlled operations.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Aggregate share of assets and liabilities in jointly controlled continuing operations —** | | |
| *Current assets:* | | |
| Cash | 12,152 | 12,042 |
| Receivables | 6,179 | 6,896 |
| Inventories/Other | 1,949 | 1,970 |
| *Non-current assets:* | | |
| Property, plant, equipment and intangibles | 77,008 | 76,829 |
| Receivables/Other | 6,730 | 3,829 |
| *Current liabilities:* | | |
| Payables | (14,184) | (14,883) |
| Borrowings/Provisions/Other | (5,905) | (5,393) |
| *Non-Current liabilities:* | | |
| Payables | (849) | (1,129) |
| Borrowings/Provisions/Other | (3,053) | (3,484) |
| Share of net assets of jointly controlled operations | 80,027 | 76,677 |

## 29 SEGMENT REPORTING[1]

| | THEME PARKS | | CINEMA EXHIBITION | | FILM DISTRIBUTION | | OTHER[2] | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 |
| **(a) Reporting by operating segments – continuing operations:** | | | | | | | | | | |
| Segment revenue – services | 194,107 | 182,851 | 189,166 | 184,484 | 192,823 | 206,459 | – | – | 576,096 | 573,794 |
| Segment revenue – goods | 102,599 | 94,861 | 65,705 | 60,753 | 165,513 | 180,822 | – | – | 333,817 | 336,436 |
| Total segment revenue | 296,706 | 277,712 | 254,871 | 245,237 | 358,336 | 387,281 | – | – | 909,913 | 910,230 |
| Plus: Non-segment revenue | – | – | – | – | – | – | 20,021 | 17,383 | 20,021 | 17,383 |
| Less: Inter-segment revenue | – | – | – | – | (19,033) | (20,240) | (2,426) | (2,095) | (21,459) | (22,335) |
| **Total Revenue** | | | | | | | | | 908,475 | 905,278 |
| Segment results before tax | 30,694 | 28,492 | 40,428 | 34,043 | 37,983 | 41,489 | – | – | 109,105 | 104,024 |
| Non-segment result (Corporate) before tax | – | – | – | – | – | – | (27,098) | (28,990) | (27,098) | (28,990) |
| **Operating profit (loss) before tax – segment purposes** | 30,694 | 28,492 | 40,428 | 34,043 | 37,983 | 41,489 | (27,098) | (28,990) | 82,007 | 75,034 |
| Unrealised mark to market profits (losses) on interest rate and foreign currency derivatives not designated in hedging relationships | | | | | | | | | 2,637 | (5,508) |
| Impairment, write-downs and provisions relating to non-current assets and onerous lease | | | | | | | | | (14,383) | (2,750) |
| Gain on sale of distribution centre | | | | | | | | | 6,842 | – |
| **Operating profit before tax** | | | | | | | | | 77,103 | 66,776 |
| Income tax expense | | | | | | | | | (26,019) | (33,005) |
| Non-controlling interest | | | | | | | | | (153) | – |
| **Total attributable profit after tax from continuing operations per the statement of comprehensive income** | | | | | | | | | 50,931 | 33,771 |
| Interest income | 297 | 498 | 502 | 1,034 | 1,068 | 1,580 | 5,596 | 10,387 | 7,463 | 13,499 |
| Finance costs before fair value change on derivatives | 22,763 | 25,795 | 4,993 | 5,130 | 6,092 | 8,075 | 1,337 | 2,159 | 35,185 | 41,159 |
| Finance costs – fair value change on derivatives | | | | | | | | | (2,637) | 5,533 |
| Total finance costs | | | | | | | | | 32,548 | 46,692 |
| Depreciation and amortisation expense | 36,185 | 33,575 | 13,585 | 13,001 | 3,196 | 2,768 | 1,298 | 2,618 | 54,264 | 51,962 |
| Equity accounted net profit (loss) | | | | | | | | | 10,938 | 5,766 |
| Capital expenditure | 64,230 | 45,197 | 13,197 | 11,949 | 3,989 | 2,130 | 63,630 | 9,094 | 145,046 | 68,370 |

| **(b) Reporting by geographic regions:** | AUSTRALIA | | UNITED STATES OF AMERICA | | NEW ZEALAND | | OTHER | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 |
| Revenue – continuing operations | 856,633 | 831,701 | 24,559 | 52,181 | 24,082 | 18,386 | 3,201 | 3,010 | 908,475 | 905,278 |
| Non-current assets | 981,645 | 887,929 | 94,695 | 58,466 | 236 | 385 | 527 | 57 | 1,077,103 | 946,837 |

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

2 The 'Other' column represents financial information which is not allocated to the reportable segments, and also includes Wet'n'Wild Sydney

# 30 BUSINESS COMBINATIONS

## (a) Acquisition of Edge Loyalty Systems Pty. Ltd.:

The Group acquired 100% of the equity of Edge Loyalty Systems Pty. Ltd. ("Edge") effective 1 July 2012. Edge is involved in the online gift cards, loyalty & rewards business, and was acquired as part of the Group's digital strategy. The acquisition resulted in a net cash outflow of $6.6 million and was funded from existing cash reserves.

| | Recognised on acquisition $'000 |
|---|---|
| Cash and cash equivalents | 3,890 |
| Receivables | 11,702 |
| Other assets | 517 |
| **Total Assets** | 16,109 |
| Payables | (14,282) |
| Provisions | (1,028) |
| Other liabilities | (281) |
| **Total Liabilities** | (15,591) |
| Fair value of identifiable net assets | 518 |
| Goodwill arising on acquisition | 10,713 |
| | 11,231 |
| Cost of combination: | |
| Cash paid | (10,500) |
| Contingent consideration payable | (981) |
| Amount receivable from vendor | 250 |
| | (11,231) |
| The net outflow on acquisition is as follows: | |
| Net cash acquired with the subsidiary | 3,890 |
| Cash paid | (10,500) |
| Net cash outflow | (6,610) |

The contingent consideration payable is largely based on future financial performance of the business, and has been estimated based on current forecasts of the relevant amounts on which the relevant calculations will be based.

The actual amounts payable in relation to the contingent payments could in theory range from nil up to $1.0 million more than the amount shown above, however it is not currently expected that the actual payments will differ materially from the amounts shown above (which have been discounted as required to take account of the timing of the expected payments).

The value of the goodwill which is deductible for tax purposes is $9.8 million. No material expenses have been incurred in relation to the acquisition.

From the date of acquisition, Edge has contributed $8.5 million of revenue and $1.2 million of net profit to the Group.

## (b) Acquisition of The Waterpark LLC and The Waterpark Management LLC:

The Group acquired 50.76% of the equity of The Waterpark LLC ("TW") and 50% of the equity of The Waterpark Management LLC ("TWM") effective 26 September 2012. TW and TWM are the entities that are involved with the design and construction of a new water park in Las Vegas, USA, and were acquired as part of the Theme Parks expansion strategy. The acquisition resulted in a net cash inflow of $1.4 million, and the cash paid component was funded from existing cash reserves.

| | Recognised on acquisition $'000 |
|---|---|
| Cash and cash equivalents | 12,896 |
| Development costs | 3,861 |
| Intangible assets | 3,143 |
| **Total Assets** | 19,900 |
| **Total Liabilities** | (434) |
| Fair value of identifiable net assets | 19,466 |
| Goodwill arising on acquisition | 1,042 |
| | 20,508 |
| Non-controlling interest on acquisition | (8,991) |
| Cost of combination – Cash paid | (11,517) |
| | (20,508) |
| The net outflow on acquisition is as follows: | |
| Net cash acquired with the subsidiary | 12,896 |
| Cash paid | (11,517) |
| Net cash outflow | 1,379 |

The value of the goodwill which is deductible for tax purposes is $1.0 million. Expenses of approximately $0.5 million have been incurred in relation to the acquisition.

From the date of acquisition, TW and TWM have contributed $4.6 million of revenue and $0.2 million of attributable net profit to the Group.

| | VILLAGE ROADSHOW LIMITED | |
|---|---|---|
| | 2013 $'000 | 2012 $'000 |

## 31 PARENT ENTITY DISCLOSURES

### (a) Summary financial information

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Current assets | 1,007 | 4,909 |
| Total assets | 453,508 | 353,888 |
| Current liabilities | 22,449 | 10,586 |
| Total liabilities | 23,868 | 12,434 |
| Issued capital | 234,345 | 222,853 |
| Retained earnings | 187,435 | 111,595 |
| Employee equity benefit reserve | 7,860 | 7,006 |
| Total shareholders' equity | 429,640 | 341,454 |
| Profit (loss) after tax | 111,895 | (38,417) |
| Total comprehensive income (expense) | 111,895 | (38,417) |

### (b) Financial guarantees

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Financial guarantees[1] | 681 | 891 |

### (c) Franking credit balance

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Amount of franking credits available as at year-end | 1,495 | 8,896 |
| Franking credit movements from payment (refund) of VRL's provision for tax recorded at year-end | 11,535 | (2,799) |
| Franking debits that will arise after year-end, in relation to dividends paid or declared (as at the date of this report) | (8,885) | – |
| Amount of franking credits (deficit) available after adjusting for the above impacts | 4,145 | 6,097 |

### (d) Contingent liabilities[2]

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| (i) Bank guarantees for commitments of subsidiaries | 6,862 | 7,545 |
| (ii) Several corporate guarantees for operating lease commitments | | |
| (a) Guarantees for subsidiaries | 45,625 | 47,578 |
| (b) Guarantees for joint ventures | 18,652 | 18,050 |
| (iii) Other corporate guarantee commitments | | |
| (a) Guarantees in respect of subsidiaries' commitments | 10,002 | – |
| (b) Guarantees in respect of associated entities' banking facilities | – | 3,864 |
| | 81,141 | 77,037 |

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 The 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.

## 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 | |
|---|---|---|
| | 2013 $'000 | 2012 $'000 |
| Financial assets: Cash and cash equivalents | 146,909 | 193,574 |
| Financial Liabilities: Secured and unsecured borrowings | 197,487 | 407,467 |
| Net exposure | 50,578 | 213,893 |

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 $221.0 million (2012: $276.8 million). These interest rate derivatives covered approximately 53% (2012: 62%) of total borrowings of the Group as at reporting date. The majority (by value) of the interest rate derivatives mature in 2013 to 2015 (2012: 2012 to 2015), and have been designated in hedging relationships under Australian Accounting Standards (2012: majority by value not designated in hedging relationships).

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 2013 and 30 June 2012, 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 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 |
| CONSOLIDATED | | | | |
| If interest rates were 100 basis points higher with all other variables held constant | (1,444) | 695 | 1,739 | 348 |
| If interest rates were 100 basis points lower with all other variables held constant | 1,371 | (1,127) | (1,765) | (390) |

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movements in equity are 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 Group uses forward currency contracts to eliminate the foreign currency exposure on part of the Group'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 2013 and 30 June 2012, the Group had hedged the majority (by value) of foreign currency purchases that were firm commitments. The following sensitivity analysis is based on the foreign currency risk exposures in existence at reporting date. A sensitivity of 10% has been selected as this is deemed to be reasonably possible given the current level of the United States Dollar and other relevant exchange rates.

At 30 June 2013 and 30 June 2012, if foreign exchange 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 | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 |
| CONSOLIDATED | | | | |
| If foreign exchange rates were 10 per cent higher with all other variables held constant | – | – | (2,487) | (1,226) |
| If foreign exchange rates were 10 per cent lower with all other variables held constant | – | – | 3,040 | 1,498 |

The movement in equity is due to an increase/decrease in the fair value of the derivative instruments, which are all designated as cash flow hedges. The sensitivities for each year are impacted by the derivative balances and exchange rates. There is no movement in profit in this foreign exchange rate sensitivity analysis due to the fact that movements in the unhedged foreign currency amounts only impact asset and liability balances.

#### Commodity price risk

The Group's exposure to price risk is minimal.

# 32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (b) Risk exposures and responses (continued)

### Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

- payment terms are generally 30 to 90 days; and
- a risk assessment process is used for customers over $50,000.

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as recognised 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.

### 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 2013, 9% (2012: 8%) 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 2013. 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 2013.

| | 1 YEAR OR LESS | | OVER 1 YEAR TO 5 YEARS | | MORE THAN 5 YEARS | | TOTAL | |
|---|---|---|---|---|---|---|---|---|
| | 2013 $ '000 | 2012 $ '000 | 2013 $ '000 | 2012 $ '000 | 2013 $ '000 | 2012 $ '000 | 2013 $ '000 | 2012 $ '000 |
| **(i) Financial assets** | | | | | | | | |
| Cash | 146,909 | 193,574 | – | – | – | – | 146,909 | 193,574 |
| Receivables and other advances | 112,565 | 116,198 | 15,616 | 12,645 | – | – | 128,181 | 128,843 |
| Derivatives | 50,128 | 20,295 | 2,413 | 2,930 | – | – | 52,541 | 23,225 |
| Security deposits | – | – | – | – | 1,425 | 1,297 | 1,425 | 1,297 |
| Total financial assets | 309,602 | 330,067 | 18,029 | 15,575 | 1,425 | 1,297 | 329,056 | 346,939 |
| **(ii) Financial liabilities** | | | | | | | | |
| Trade and other payables | 240,941 | 178,055 | 51,232 | 63,420 | – | – | 292,173 | 241,475 |
| Secured and unsecured borrowings | 36,938 | 71,801 | 399,530 | 454,754 | 35,230 | 32,746 | 471,698 | 559,301 |
| Finance lease liabilities | – | 77 | – | – | – | – | – | 77 |
| Derivatives | 51,274 | 23,631 | 3,892 | 7,568 | – | – | 55,166 | 31,199 |
| Total financial liabilities | 329,153 | 273,564 | 454,654 | 525,742 | 35,230 | 32,746 | 819,037 | 832,052 |
| Net maturity | (19,551) | 56,503 | (436,625) | (510,167) | (33,805) | (31,449) | (489,981) | (485,113) |

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 $148.6 million as at 30 June 2013 (2012: $136.5 million).

# 32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (c) Terms, conditions and accounting policies

The Group's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument are as follows:

### Recognised Financial Instruments

### (i) Financial assets

*Receivables – trade debtors:*

Trade debtors are non-interest bearing and are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the debt. Credit sales are normally settled on 30-90 day terms.

*Receivables – associated entities and other advances:*

Amounts (other than trade debts) receivable from associated entities and for other advances are carried at either the nominal amounts due or the amounts initially recorded as recoverable. Interest, when charged, is recognised in profit or loss on an accrual basis, and provided against when not probable of recovery. 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.

### (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 no finance leases. The average discount rate implicit in 2012 was 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.

# 32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (d) Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements, excluding any classified under discontinued operations.

| | TOTAL CARRYING AMOUNT AS PER CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | AGGREGATE NET FAIR VALUE | |
|---|---|---|---|---|
| CONSOLIDATED | 2013 $'000 | 2012 $'000 | 2013 $'000 | 2012 $'000 |
| *Financial assets:* | | | | |
| Cash | 146,909 | 193,574 | 146,909 | 193,574 |
| Trade & other receivables | 126,830 | 127,384 | 126,830 | 127,384 |
| Unsecured advances | 1,351 | 1,459 | 1,351 | 1,459 |
| Available for sale investments | 358 | 2,997 | 358 | 2,997 |
| Derivatives | 5,035 | – | 5,035 | – |
| Security Deposits | 1,425 | 1,297 | 1,425 | 1,297 |
| Total financial assets | 281,908 | 326,711 | 281,908 | 326,711 |
| *Financial liabilities:* | | | | |
| Trade and other payables | 292,173 | 241,475 | 292,173 | 241,475 |
| Secured and unsecured borrowings | 418,487 | 447,467 | 359,659 | 364,473 |
| Finance lease liabilities | – | 77 | – | 72 |
| Derivatives | 7,588 | 7,923 | 7,588 | 7,923 |
| Total financial liabilities | 718,248 | 696,942 | 659,420 | 613,943 |

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.

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Valuation technique – market observable inputs (Level 2) $'000 | Total $'000 | Valuation technique – market observable inputs (Level 2) $'000 | Total $'000 |
| *Financial assets:* | | | | |
| Derivatives | 5,035 | 5,035 | – | – |
| Total financial assets | 5,035 | 5,035 | – | – |
| *Financial liabilities:* | | | | |
| Derivatives | 7,588 | 7,588 | 7,923 | 7,923 |
| Total financial liabilities | 7,588 | 7,588 | 7,923 | 7,923 |

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.

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

### (e) Derivative financial instruments

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| *Current assets:* | | |
| Forward currency contracts – cash flow hedges | 2,835 | – |
| Interest rate caps and collars – held for trading | 2,147 | – |
| | 4,982 | – |
| *Non-current assets:* | | |
| Forward currency contracts – cash flow hedges | 53 | – |
| | 53 | – |
| *Current liabilities:* | | |
| Interest rate swap contracts – held for trading | 3,280 | 728 |
| Interest rate swap contracts – cash flow hedges | 645 | 37 |
| Interest rate collars – held for trading | 2,128 | 2,212 |
| Forward currency contracts – cash flow hedges | 112 | 586 |
| | 6,165 | 3,563 |
| *Non-current liabilities:* | | |
| Interest rate swap contracts – held for trading | – | 239 |
| Interest rate swap contracts – cash flow hedges | 57 | 5 |
| Interest rate collars – held for trading | 1,366 | 4,084 |
| Forward currency contracts – cash flow hedges | – | 32 |
| | 1,423 | 4,360 |

**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 which 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 2013 and 30 June 2012:

| | NOTIONAL AMOUNTS AUD | | AVERAGE EXCHANGE RATE | |
|---|---|---|---|---|
| | 2013 $'000 | 2012 $'000 | 2013 | 2012 |
| *Consolidated:* | | | | |
| USD hedges | 2,490 | (373) | 0.9882 | 0.9800 |
| GBP hedges | 31 | (105) | 0.6463 | 0.6180 |
| CAD hedges | 84 | – | 1.0218 | – |
| EUR hedges | 171 | (140) | 0.7604 | 0.7610 |

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

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| 0-1 years | (645) | (37) |
| 1-2 years | (57) | (5) |
| | (702) | (42) |

#### (iii) 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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| 0-1 years | (3,280) | (728) |
| 1-2 years | – | (239) |
| | (3,280) | (967) |

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

### (e) Derivative financial instruments (continued)

#### (iv) 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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| 0-1 years | 19 | (2,212) |
| 1-2 years | (1,366) | (3,009) |
| 2-5 years | – | (1,075) |
| | (1,347) | (6,296) |

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.

## 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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Management & service fee revenue | 1,623 | 1,978 |
| Interest revenue [1,2] | – | 641 |
| Film hire and other film expenses (paid by the VRL group to entities in the Village Roadshow Entertainment Group Limited group) | 18,797 | 23,447 |
| Provision for diminution – investments in associates (included in material items of income and expense in Reconciliation of Results contained in Directors' Report) | 4,195 | – |

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 2013 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 2013.

On behalf of the Board

**G.W. Burke**
Director

Melbourne, 5 September 2013

Building a better working world

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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 2013, 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 2013 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 15 to 25 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R Piltz

**Rodney Piltz**
Partner

Melbourne
5 September 2013

# ADDITIONAL INFORMATION

## 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 24 September 2013 and the number of ordinary shares held:

| Name | Ordinary Shares | % of Total |
|---|---|---|
| Village Roadshow Corporation Pty Limited | 68,563,136 | 43.71 |
| Vijay Vijendra Sethu | 10,592,417 | 6.99 |

### Distribution of Ordinary Security Holders

As at 24 September 2013

| Category of Holding | Number of Holders | % | Number of Units | % |
|---|---|---|---|---|
| 1 – 1,000 | 2,348 | 43.97 | 1,375,791 | 0.86 |
| 1,001 – 5,000 | 2,110 | 39.51 | 5,285,020 | 3.31 |
| 5,001 – 10,000 | 494 | 9.25 | 3,661,450 | 2.30 |
| 10,001 – 100,000 | 320 | 5.99 | 8,591,374 | 5.39 |
| 100,001 and over | 68 | 1.28 | 140,572,568 | 88.14 |
| | 5,340 | 100.00 | 159,486,203 | 100.00 |
| Number of holdings less than marketable parcel (77 shares) | 74 | | 1,138 | |

### 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 24 September 2013

| Name of Holder | Shares | % | Rank |
|---|---|---|---|
| Village Roadshow Corporation Pty Ltd | 65,960,636 | 41.36 | 1 |
| Citicorp Nominees Pty Limited | 20,780,200 | 13.03 | 2 |
| National Nominees Limited | 12,592,858 | 7.90 | 3 |
| J P Morgan Nominees Australia Limited | 5,577,230 | 3.50 | 4 |
| HSBC Custody Nominees (Australia) Limited | 4,479,221 | 2.81 | 5 |
| Ravenscourt Pty Ltd | 2,825,502 | 1.77 | 6 |
| Mr Graham William Burke | 2,603,863 | 1.63 | 7 |
| UBS Nominees Pty Ltd | 1,895,990 | 1.19 | 8 |
| Mutual Trust Pty Ltd | 1,790,210 | 1.12 | 9 |
| CS Fourth Nominees Pty Ltd | 1,613,977 | 1.01 | 10 |
| Mr John Ross Kirby ‹John Kirby Family No 2 A/C› | 1,600,000 | 1.00 | 11 |
| RBC Investor Services Australia Nominees Pty Limited ‹BKCUST A/C› | 1,524,845 | 0.96 | 12 |
| Mr John Kirby | 1,002,500 | 0.63 | 13 |
| Aust Executor Trustees Ltd ‹Lanyon Aust Value Fund› | 960,282 | 0.60 | 14 |
| BNP Paribas Noms Pty Ltd ‹DRP› | 876,986 | 0.55 | 15 |
| Mr Anthony Huntley | 801,500 | 0.50 | 16 |
| Mr Christopher B Chard | 754,000 | 0.47 | 17 |
| Ms Julie Raffe & Raffe Nominees Pty Ltd ‹Raffe Family A/C› | 700,000 | 0.44 | 18 |
| QIC Limited | 660,665 | 0.41 | 19 |
| Mr Simon Phillipson & Ms Yolande Phillipson | 600,000 | 0.38 | 20 |
| TOTAL | 129,600,465 | 81.26 | |

## FIVE YEAR FINANCIAL SUMMARY

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **Operating Results – Continuing Operations ($'000)** | | | | | |
| Total revenue | 908,475 | 905,278 | 903,854 | 942,023 | 920,222 |
| EBITDA before material items | 163,993 | 154,656 | 140,531 | 146,977 | 127,906 |
| EBIT before material items | 109,729 | 102,694 | 86,160 | 93,435 | 74,159 |
| Net interest expense | 27,722 | 27,660 | 39,037 | 44,098 | 38,873 |
| Tax expense, excluding tax on material items | 24,667 | 22,202 | 15,870 | 14,306 | 10,157 |
| Net profit excluding material items attributable to members | 57,187 | 52,832 | 31,253 | 35,031 | 25,129 |
| Total dividends declared[1,3] | 41,462 | 33,507 | 24,233 | 14,952 | 31,586 |
| **Statement of Financial Position ($'000)** | | | | | |
| Total shareholders' equity | 572,078 | 522,811 | 666,717 | 686,261 | 709,081 |
| Net borrowings | 271,578 | 253,970 | 53,514 | 827,093 | 899,905 |
| Funds employed | 843,656 | 776,781 | 720,231 | 1,513,354 | 1,608,986 |
| Total assets | 1,444,512 | 1,332,768 | 1,472,104 | 2,027,820 | 2,192,460 |
| **Other Major Items ($'000)** | | | | | |
| Capital expenditure and investments | 152,168 | 72,923 | 88,643 | 62,527 | 122,404 |
| Depreciation & amortisation expense | 54,264 | 51,962 | 54,371 | 53,542 | 53,747 |
| **Ratios** | | | | | |
| Return on average total shareholders' equity (%) | 10.4 | 9.9 | 4.6 | 5.0 | 3.5 |
| EBIT/average funds employed (%) | 13.5 | 13.7 | 7.7 | 6.0 | 4.6 |
| Net debt/total capital (%) | 32.2 | 32.7 | 7.4 | 54.7 | 55.9 |
| Interest cover (times) | 4.0 | 3.7 | 2.2 | 2.1 | 1.9 |
| **Per Share Calculations** | | | | | |
| EPS pre-material items and discontinued operations (cents per share)[2] | 36.2 | 34.4 | 20.1 | 18.5 | 11.2 |
| EPS including material items and discontinued operations (cents per share)[2] | 32.3 | 22.0 | 119.2 | 50.1 | 5.6 |
| Dividends – ordinary shares (cents per share)[3] | 26.00 | 22.00 | 16.00 | 6.00 | 12.75 |
| Dividends – preference shares (cents per share)[3] | – | – | – | 9.00 | 15.75 |
| Net tangible assets ($ per share) | 1.54 | 1.48 | 2.48 | (1.74) | (1.18) |
| Net tangible assets plus Radio Licences (to 2010) ($ per share) | 1.54 | 1.48 | 2.48 | 1.01 | 0.84 |
| **Other** | | | | | |
| Accumulation index – Ordinary shares (index base 1,000 as at 1 July 2008)[4] | 4,743 | 2,491 | 2,287 | 1,167 | 492 |

1 Represents dividends on ordinary shares and, to 2010, on ordinary and preference shares.
2 Represents Diluted EPS (ordinary shares) for 2013 and 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 2008 with all dividends reinvested.

# CORPORATE DIRECTORY

## Contact Information

### Principal Administrative Office and Registered Office

**Village Roadshow Limited**
Level 1, 500 Chapel Street
South Yarra Vic 3141
Australia
Ph:+613 9281 1000
Fax: +613 9660 1764

### Home Exchange

**Australian Securities Exchange**
Level 4, North Tower, Rialto
525 Collins Street
Melbourne Vic 3000
Ph: 1300 300 279
Fax: 1300 300 021

## Divisional Offices

### Cinema Exhibition

**Village Cinemas**
c/– Level 1, 500 Chapel Street
South Yarra Vic 3141
Australia
Ph: +613 9281 1000
Fax: +613 9653 1993

### Theme Parks

**Village Roadshow Theme Parks**
Pacific Motorway
Oxenford Qld 4210
Australia
Ph: +617 5573 3999
Fax: +617 5573 3666

### Film Distribution

**Roadshow Films**
Level 1, 1 Garden Street
South Yarra Vic 3141
Australia
Ph: +613 9829 0666
Fax: +613 9653 1993

### Film Production

**Village Roadshow Entertainment Group**
100N Crescent Drive
Suite 323
Beverley Hills CA 90210
United States
Ph: +1 310 385 4455
Fax: +1 310 385 4334

## 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

**Computershare Investor Services Pty Limited**
Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067 Australia
Ph: 1300 850 505 Fax: 03 9473 2500 within Australia,
Ph: +613 9615 5970 outside Australia

Website: www.computershare.com
Email: webenquiries@computershare.com.au

VILLAGE ROADSHOW LIMITED

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