

VILLAGE ROADSHOW LIMITED



ANNUAL REPORT

**2014**



# W E L C O M E

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 leading theme park owner and operator.

On Queensland’s Gold Coast VRL owns and operates:

- 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 & Water Park, and Sea World Helicopters; and
- Australian Outback Spectacular, Paradise Country and Village Roadshow Studios.

Also within Australia, VRL owns and operates the highly successful Wet ‘n’ Wild Sydney, which opened in December 2013 and in USA, VRL operates Wet ‘n’ Wild Las Vegas, Nevada.

In the past few years VRL has been developing a strategy for building and managing theme parks in China and South East Asia. It is expected that the Hainan Island, China park ‘Ocean Paradise’, which VRL will manage under a Consulting Service agreement, will be operational in 2016. In addition, VRL has signed a number of Letters of Intent, Memoranda of Understanding or other agreements with various parties in connection with the development of further parks in Asia.

## 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 704 screens at 74 sites with 532 screens across 52 sites in Australia, 87 screens at 11 sites in Singapore, 73 screens at 10 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 **max**.

## 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, to homes on Blu-ray and DVD and digital, to subscription television as well as free to air television. 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, Film Nation, Relativity, The Weinstein Company and Village Roadshow Pictures. VRL also has film distribution operations in New Zealand and Singapore.

## FILM PRODUCTION

Village Roadshow has been involved in the movie making 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 10 Academy Awards and 4 Golden Globe Awards for films including *The Great Gatsby*, *Training Day*, *Mystic River* and *Happy Feet*. Since its inception in 1997, Village Roadshow Pictures has produced and released 78 films with global box office takings of over US\$13.1 billion including blockbuster hits such as *The Matrix* trilogy, the *Ocean’s* trilogy, *Charlie and the Chocolate Factory*, *I Am Legend*, *Sherlock Holmes* and *The LEGO Movie*.

### CONTAGIOUS OPTIMISM:

The long standing Village Roadshow ethos that we believe is part of what makes us unique.  
Creating and seizing opportunities | Solving problems | Our customers feel it | Our world is enriched  
THAT’S THE VILLAGE ROADSHOW WAY

# TO OUR SHAREHOLDERS



ROBERT G. KIRBY  
GRAHAM W. BURKE  
CO-EXECUTIVE CHAIRMEN AND CO-CHIEF EXECUTIVE OFFICERS

## REFLECTING ON 2014

The Board of Directors of Village Roadshow Limited ("VRL") are pleased to report that the hallmarks of the 2014 financial year were robust performances in VRL's core businesses, the continued development of international strategic partnerships, and innovative expansion both in our home markets and overseas.

No greater example of this exists than in the opening season of the much anticipated Wet'n'Wild Sydney which has showcased VRL's ability to create one of the best water parks in the world. Opening well ahead of schedule, the inaugural season enjoyed capacity crowds and heralds the much anticipated second season from 20 September 2014. Standing alongside this achievement are the solid trading from the Gold Coast Theme Parks, the exceptional results from Cinema Exhibition, major film output contract renewals for Film Distribution and advancing the Company's Asian Theme Park expansion plans through the continued building of critical relationships in China and South East Asia.

These achievements are due in no small part to VRL's overarching, perennial vision of providing our customers with an escape from the everyday.

**"People will always want to go out and be entertained"...**

Our customers expect the best in entertainment options and each of our business ventures offer their customers good value experiences that exceed their expectations.

That it is why VRL embraces new technologies, creates new experiences and seeks out new modes of entertainment. With our well known brands in Theme Parks, Cinema Exhibition, Film Distribution and Film Production, VRL's true expertise in delivering superlative entertainment, coupled with our benchmark marketing expertise, has never been stronger or more important.

In a competitive marketplace vying for everyone's attention, we believe the Company delivers immense value in the array of entertainments we offer. We strive to make what we offer so good, so memorable, so positive, that our customers come back for more - again and again. One of the abiding foundations on which our Company is built, is the power of 'word of mouth'. We honour nothing more than hearing, for example, the glowing feedback from children to our rides at Warner Bros. Movie World or Wet'n'Wild or the heart-felt remembrances from someone who was lucky enough to swim with the dolphins at Sea World. Providing these experiences to our customers is, and will always be, one of the cornerstones of the Company.

VRL has delivered a solid set of earnings results in the 2014 financial year and is committed to delivering significant value to its shareholders through consistent operating results and dividends combined with an exciting, sustainable, long term growth strategy.

The Company achieved an attributable net profit of \$45.8 million for the year ended 30 June 2014, compared to the prior corresponding period result of \$50.9 million. The 2014 financial year result includes attributable net losses from material items of \$10.7 million, and a further \$11.9 million (before tax) in one-off costs mainly associated with the opening of Wet'n'Wild Sydney and the Gold Coast joint marketing campaign. Net losses from material items were \$6.3 million in the prior year.

Earnings Before Interest, Tax, Depreciation and Amortisation excluding material items and discontinued operations ("EBITDA") for the year ended 30 June 2014 was \$170.9 million, up 4.2% on the prior year result of \$164.0 million. Attributable net profit before material items and discontinued operations ("NPAT") for the year ended 30 June 2014 was \$56.5 million, slightly down on the prior year result of \$57.2 million. Further details are provided in the Reconciliation of Results, forming part of the Directors' Report, on page 16.

Diluted earnings per share before material items and discontinued operations of 34.9 cents per share decreased by 3.6% compared to the prior year result of 36.2 cents per share, due mainly to an increase in the relevant number of shares on issue in the year ended 30 June 2014.

The Board is pleased to continue the Company's ongoing dividend and distribution program, having distributed \$106.9 million in payments to shareholders in or in relation to the 2014 financial year. A fully-franked interim dividend of 13 cents per share was paid in March 2014, and additional payments to shareholders

IMAGES: Clockwise from top - Wet'n'Wild Sydney; The LEGO Movie; Sea World: Storm Coaster; Village Cinemas







IMAGES: L to R - Village Cinemas Gold Class; Into the Storm; The Hobbit: The Battle of the Five Armies

of 40 cents per share have also been paid (25 cents per share was paid in December 2013 comprising a capital return of 12 cents per share and a fully-franked distribution of 13 cents per share). A further fully-franked special dividend of 15 cents per share was paid to shareholders in July 2014 and the VRL Board has also declared a fully-franked final dividend of 14 cents per share in relation to the 2014 financial year, which was paid to shareholders in October 2014.

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

## MILESTONES AND HIGHLIGHTS

2014 has been a year where VRL continued to actively explore opportunities to use its core expertise in new and emerging markets, helping drive VRL's market leadership in all segments in which we operate. This has been the underlying life blood of the Company's growth honed over many years. A number of significant milestones and highlights have been achieved in the 2014 financial year.

VRL was able to produce a strong second half-year increase in EBITDA of 20% and a 31% increase in profit before tax excluding material items and discontinued operations ("PBT") compared to the prior corresponding half-year, once again demonstrating the resilience and robust condition of VRL's businesses. This improvement in the underlying operating results was made possible through strong film content and the successful delivery of a number of cost control initiatives whilst making significant investments for future growth.

In addition to the successful launch of Wet 'n' Wild Sydney previously mentioned, Village Roadshow Theme Parks ("VRTP") delivered a record full year EBITDA result of \$105.6 million (up \$14.3 million) in the year ended 30 June 2014 excluding one-off costs (\$9.0 million) associated with the opening of Wet 'n' Wild Sydney and the contribution to the joint 'Theme Park Capital' marketing campaign with the Queensland Government. Overall income across all parks was \$336.3 million, up 12.7% on the prior year's result on the back of solid overall attendances and in-park spend, whilst PBT of \$33.1 million was up \$2.4 million compared to the prior year.

VRTP divested the Pheonix and Hawaii water parks in November 2013 in order to concentrate on its expansion program in China and South East Asia.

We are pleased with the progress we have made during the year in further developing strong relationships with key local partners in the pursuit of the Company's China/South East Asia theme parks strategy and the signing of

a number of significant agreements. This strategy is a combination of leveraging the Company's unique management expertise with a conservative investment strategy in alliance with key local and international partners. More details on this initiative follow later on page 04 in this report, and it is envisioned that this will be truly transformational for the VRL group.

The Cinema Exhibition division produced a further very strong increase of 8.3% in PBT following a record in the previous year, with a strong performance by Village Cinemas Australia and by the Company's Golden Village cinema circuit in Singapore. Refurbishments and upgrades of cinema sites for our cinema patrons continued, and the higher yield premium offerings of Gold Class and **max** won over more customers.

The Film Distribution division, Roadshow Films, bolstered its market leadership with the renewal of significant film output agreements with key suppliers and, given the soft first half, turned in a respectable PBT of \$34.8 million for the year, down 8.3% on last year's result.

In the realisation of all these ventures, we carry with us our founder Roc Kirby's eternal philosophy of always being a dynamic, forward-thinking Company but at the same time "never putting the ship at risk".

## AUSTRALIAN THEME PARKS

VRTP is Australia's leading theme park developer and owner and one of the pre-eminent theme park operators in the world. With parks in both Sydney and Queensland's Gold Coast, VRTP delivers unrivalled and ground-breaking rides, slides, entertainment, attractions, facilities and dining to all our ventures; and with a vision to always bring 'world's first' and 'world's best' experiences to all our customers.

In Australia VRTP produced a strong EBITDA of \$84.5 million in the 2014 financial year excluding the one-off costs, up from \$83.5 million in the previous year, with the continuation of the successful 'VIP' pass strategy. The division also invested in the 'Gold Coast Theme Park Capital of Australia' industry marketing campaign, and successfully launched the *Carnivale* special event at Warner Bros. Movie World.

The Gold Coast Theme Parks division includes the house-hold names of Warner Bros. Movie World, Sea World, Wet 'n' Wild Gold

## FINANCIAL SUMMARY (\$M unless stated otherwise)

|  | 2014   | 2013  | % Change   |
|--|--------|-------|------------|
| Attributable net profit after tax  | 45.8   | 50.9  | Down 10.1% |
| Attributable net profit excluding material items and discontinued operations                               | 56.5   | 57.2  | Down 1.3%  |
| EBITDA before material items and discontinued operations   | 170.9  | 164.0 | Up 4.2%    |
| Total dividends declared   | 43.1   | 41.5  | Up 3.9%    |
| Total shareholders' equity (2014 is after shareholder distribution and special dividend totalling \$63.8m) | 521.3  | 572.1 | Down 8.9%  |
| Return on average total shareholders' equity (%)   | 10.3   | 10.4  | Down 0.1%  |
| EPS pre-material items and discontinued operations (cents per share)                                       | 34.9   | 36.2  | Down 3.6%  |
| Dividends - ordinary shares (cents per share)  | 27.0   | 26.0  | Up 3.8%    |
| Accumulation index - Ordinary shares (index base 1,000 as at 1 July 2009)                                  | 13,704 | 9,640 | Up 42.2%   |

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

Coast, Australian Outback Spectacular, Paradise Country, Village Roadshow Studios, Sea World Resort & Water Park and Sea World Helicopters. Each of these major attractions and businesses is synonymous with superior quality and exhilarating experiences for our customers. Renowned as the 'Theme Park Capital of Australia', the Gold Coast is Australia's sixth largest city and has the largest concentration of themed attractions in the southern hemisphere. It attracts millions of visitors each year and features a sub-tropical climate, reliable infrastructure and a strong local population with high visitor numbers, which is the perfect environment for theme park businesses to thrive in.

Solid VIP ticket sales underpinned attendances throughout the year and kept pace with last year's record attendance levels. Recent focus has also been placed on a new media/creative campaign to present the Company's Gold Coast Parks with a more magical look and with a greater emphasis on 'escapism'. The benefits of this new campaign have already been seen in VRTP's early bookings and will play an important role in the new season's ticket pricing and packaging plans.

Management of costs through a number of initiatives has also helped the Gold Coast Theme Parks division control operating cost pressures from increases in wage rates, workers compensation and utility costs, and the additional media costs associated with the 'Theme Park Capital' marketing program in the year to June 2014. It is anticipated that the benefits of this marketing expenditure will flow through to the Company's Gold Coast parks in future years.

The launch during the year of the new *Carnivale* event at Warner Bros. Movie World proved to be very popular and will now be an exciting annual inclusion to the already successful 'Special Events' line-up each year including the ever popular family-focussed *White Christmas* and teen/young adult oriented *Halloween Fright Nights* events. Warner Bros. Movie World remains a key anchor to the Gold Coast parks with the continued success of recent highly popular attractions including the *Green Lantern*, the *Batman: Arkham Asylum*, *Superman Escape* and the *Justice League: Alien Invasion* rides. In addition, to cater to young family groups, Warner Bros. Movie World has just opened in September 2014 the *Junior Driving School* attraction which has proved to be an instant hit with younger patrons, their parents and grandparents.

The enthusiastic reception to the exhilarating new hybrid steel/water coaster ride, *Storm Coaster*, the popularity of Sea World's polar bear cub *Henry* and various habitat displays, together with the crowd favourite dolphin and seal shows, played a significant role in the success of Sea World this year with overall attendances at Sea World up a healthy 7.7% compared to the previous year. The change out of older rides and attractions over the past couple of years has refreshed the park and provided the impetus for ongoing improved visitation and strengthens our calling card into China and South East Asia.

In a continuation of its impressive first half performance, the Sea World Resort & Water Park finished the year with revenue up 10.5% on the previous year and operating profit increased by 13.7%. This 402 room Resort continued to be one of the Gold Coast's pre-eminent hotels with over 90% occupancy rates. The recent introduction of the *Splash Bash* Nickelodeon themed water park at the Resort remains a significant competitive advantage for the Resort and is well received by customers. This unique water park and resort combination, proximity to the Sea World theme park and commitment to ongoing room refurbishment and plant integrity programs has proven to be very successful. In addition, in July 2015 the Sea World Resort & Water Park will open an 800 seat Conference Centre to complement the successful Resort. This will provide the Resort with new business opportunities, and it is expected it will have additional flow-on benefits to the Company's other Gold Coast parks. With significant confirmed bookings already taken, VRL sees this as a new incremental revenue stream.

Robust trading at Wet'n'Wild Gold Coast continued during the year although slightly down on the prior year's strong performance. The water park enjoys loyal local support and will be enhanced by a brand new themed area for children, *Wet'n'Wild Jr*, a scaled down version of the adult water slides, which will further cater for the young family market.

The Company's Australian Outback Spectacular, Sea World Helicopters and Paradise Country attractions, also on the Gold Coast, complement the Company's main Gold Coast theme parks. Paradise Country, an authentic Aussie Farm experience, has become a hit destination for visitors to the Gold Coast with an outstanding performance during the year, with attendances up 8.3% on the previous year, driving a 19.7% increase in revenue. This success was primarily due to an aggressive approach to new business, specifically focused on the Chinese market.

In addition, adjacent to Warner Bros. Movie World is the world standard Village Roadshow Studios whose results improved

IMAGES: L to R - Wet'n'Wild Gold Coast; Sea World Resort & Water Park; Wet'n'Wild Sydney







IMAGES: Ocean Paradise, Hainan Island, China under construction

compared to the previous year. This was largely driven by two major film productions, *Unbroken*, directed by Angelina Jolie and *San Andreas*, starring Dwayne Johnson and Carla Gugino, both being shot at VRTP's studios on the Gold Coast.

VRL will continue executing our strategy of revitalising the Gold Coast theme parks to ensure that the parks and the product offering remain highly relevant and attractive to consumers. New attractions, together with a number of other enhancements, will further underpin strong attendances in future years.

Wet'n'Wild Sydney is one of the world's biggest and most unique water parks with over 40 rides incorporating the world's best technology available. The inaugural season exceeded expectations with record attendances and exceptional sales of season passes. The park boasts extreme attractions including the *Double Skycoaster*, spectacular award-winning slides, a *Lazy River* raft ride and Australia's largest *Wave Pool*.

On 12 December 2013 Wet'n'Wild Sydney successfully opened to record crowds nine months ahead of its original schedule. This was an outstanding achievement given the extent of the wet weather and other issues faced during the construction period. VRL is extremely pleased with the overall result and the financial performance of the new park in its first season of operation, supported by the tremendous market response to the season pass program, with passes sold out in the park's first operating season at impressive yield levels.

The Wet'n'Wild Sydney park closed as planned at the end of the Easter school holiday period and reopened for its much anticipated second season in September 2014. Initial system and process related issues encountered in the park's inaugural season have been rectified in the off-season and VRL is confident that this will further enhance the customer experience at this world class water park.

## INTERNATIONAL THEME PARKS

At the beginning of the year VRTP's USA water parks division consisted of three water parks, Wet'n'Wild Phoenix in Arizona, Wet'n'Wild Hawaii on the island of Oahu, and the new park Wet'n'Wild Las Vegas, in Nevada, USA. In late November 2013 VRL exited its interests in Wet'n'Wild Phoenix and Wet'n'Wild Hawaii whilst continuing to hold its approximately 51% interest in Wet'n'Wild Las Vegas.

Wet'n'Wild Las Vegas opened in late May 2013 on time and on budget and, as Nevada's best water park, it has enjoyed strong attendance and outstanding season pass sales. The first season ended in October 2013 and reopened in mid April 2014, commencing with limited open days, ramping up to seven days from the last week in May. To kick start the calendar 2014 season, a new award-winning, extreme water slide, *Tornado*, was added which has proven to be a big drawcard and has assisted in differentiating the park's superior offerings and season pass ticket sales.

The VRL Board considered that it was an appropriate time to divest the majority of our water park interests in the United States market as the Company believed it would be difficult to achieve a significant presence in that market. The competitive pressure to acquire properties had been increasing with the upturn in the US economy and the Company considered that management time and capital could be better focussed in countries where the market is not yet mature and where higher returns are possible.

For over 20 years VRL has been at the helm of Theme Park development and management in Australia. We are using that vast experience and

success to capitalise on the enormous potential in Asia. For the past three years, VRL has been developing a major strategy for building and managing theme parks in China and South East Asia. VRL views this as one of the principal vehicles of the group's growth and a vital part of our future.

The formula for the success of this strategy includes leveraging VRL's proven expertise, carefully choosing key partners, and making prudent investment decisions. This has involved considerable investment in management resources to conduct analysis, research, field trips and discussions with investors and partners. Primarily, VRL has continued its effort to build and deepen relationships, which are crucial in a region where conducting business is all about trust and respect.

The Company has multiple dynamic opportunities under assessment with a view to develop the master plan to create world class theme parks in the most attractive locations as a major focus for the Company in the years ahead. Only the best of these opportunities will be progressed to ensure that they will lead to medium and long term profitability.

VRL is well progressed with establishing a management team and an Asian head office in Hong Kong. This will include a mix of specialised VRTP managers, carefully sourced personnel with international theme park experience and local knowledge. Whilst there will be initial development costs, this is a critical step forward that will provide 'on the ground' expertise and an important presence in the region, which is an essential part in executing VRL's strategy.

VRL's Consulting Service agreement with Hainan R&F Ocean Paradise Development Co. Ltd. ("R&F"), for the Hainan Island Park, 'Ocean Paradise' continues to move forward. Hainan Island is China's largest island on the same latitude as Hawaii and a popular tourist destination with up to 15 to 20 million visitors each year. The mega-park will include an array of marine exhibits, thrill rides and a large water park, being operational at different stages during 2016. The project has experienced some delays in the construction of essential infrastructure, roads and primary services to the site, beyond the control of R&F. VRL is closely monitoring progress and will assess targeted opening dates during the course of the year. It is currently expected that the management fees that will be payable by R&F to VRL for operating the park are unlikely to commence until the 2016 financial year as a result of these unforeseen delays.

VRL is also pleased to have recently formed a strategic alliance and signed a Key Term Sheet with CITIC Trust Co. Ltd., a subsidiary of CITIC Group, one of China's largest finance conglomerates. The aim of this alliance is to leverage the respective strengths of both parties in order to make investments in theme parks and the surrounding real estate in China and South East Asia.

In addition the Company has signed a number of Letters of Intent ("LOI"), or Memoranda of Understanding ("MOU") or other agreements with various parties. At the date of this report these include:

- An LOI between VRL and US based SeaWorld Parks and Entertainment Inc. to co-develop theme parks opportunities

in China and South East Asia, India and Russia. This collaborative development agreement has the potential to create exciting opportunities in Pan Asia and beyond;

- An MOU with the government of the Gyeongsangnam-do Province in South Korea to join Twentieth Century Fox in the design and management of a world class theme park in Korea;
- An MOU with Guangxi Longxianggu Investment Co., who are working with the highly regarded hospitality, sport and leisure pioneers, Mission Hills China, for a planned water park in Guangxi Province, Southern China, of similar size to Wet'n'Wild Sydney;
- A Consultancy Services Project Coordination agreement with China Studio Theme Parks Investment Ltd for a planned 'destination' theme park in Guangdong Province, China; and
- An LOI with Symmetry Property Development LLC for a project in Wuqing, Tianjin, China.

The VRL development team is also currently working collaboratively with Sunway Group Malaysia to assess the potential market in Johor Bahru for a hybrid Sea World/Ride Park similar in style and content to VRL's Sea World on the Gold Coast. Johor Bahru, in southern Malaysia, is connected to Singapore via a causeway and is a popular shopping and tourist destination for Singaporeans. Detailed due diligence and market research with international theme park consultants is being undertaken.

## CINEMA EXHIBITION

VRL's Cinema Exhibition division operates predominantly in Australia, Singapore and the United States of America through joint ventures, including with Amalgamated Holdings in Australia and other cinema operators internationally. VRL has interests in a total of 704 screens at 74 cinema sites, being 532 screens at 52 cinema locations in Australia, 11 sites with 87 screens in Singapore, 10 sites with 73 screens in its USA cinema circuit and one residual UK site with 12 screens.

The Cinema Exhibition division had a very strong year to 30 June 2014. VRL's share of EBITDA for the division was up 6.9% on the prior year to \$62.6 million and PBT was up 8.3% to \$43.8 million, with Australian PBT results up 7.6% despite flat admissions, and Singapore up 10%.

Village Cinemas has been a leading force in the cinema exhibition industry for nearly sixty years, bringing audiences together with the movies they want to see – and our cinemas continue to be at the forefront of industry developments and always strive to push the boundaries in the experiential offer. 2014 has seen a number of major upgrades and refurbishments to our key sites, including Launceston in Tasmania and Geelong, Fountain Gate, Crown, Jam Factory and Werribee Cinemas in Victoria. These prudent investments are all about enhancing the consumer experience and maintaining Village Cinemas 'drawcard' quality, where comfort, service and state of the art technology are always in demand from audiences.

During the year VRL acquired an interest in a further cinema site at Loganholme in Queensland and future expansion is planned into the right locations for new developments targeting significant population growth corridors to build and grow VRL's prominent market position in Australia.

Cinema Exhibition's 'premium offerings' were a major focus for the year, with the highly successful Gold Class and **max** brands over performing

in all markets in which they operate. With the key features of luxury, glamour, indulgence and excitement, Gold Class and **max** continue to drive improved average overall spend per person. The noticeable conversion of patrons from our traditional cinemas to these higher yield offerings continues to have a positive impact on the bottom line.

VRL's Singapore operation, the jointly owned Golden Village Cinemas circuit, is number one in the territory with a commanding 43% market share. On the back of record results in the prior year, strong performance continued in the 2014 year with an impressive 10% increase in NPAT and EBITDA.

The hugely anticipated Suntec City complex, comprising eleven screens including Gold Class and **max**, is scheduled to open in November 2014. The location is second to none and it is expected to be the 'jewel in the crown' of our Singapore operations and a vitally important addition to what is an extremely lucrative cinema territory.

VRL's 30% owned Gold Class USA circuit, which trades as iPic Theaters, continues to improve. Whilst the US circuit is operating cash positive, it remains in a loss making position after interest and depreciation charges.

This US cinema circuit has substantial expansion plans to be rolled out throughout the coming year, which debuted with the successful opening of iPic Wilshire Boulevard, Los Angeles, in May 2014. This takes the total number of sites to ten so far, with plans progressing for a further two sites in Washington and Houston slated for opening in the 2015 financial year and further sites under negotiation. These progressive cities have been chosen for their growth, vitality and high level of expenditure on entertainment.

With a number of other key strategic and iconic sites already having been identified for potential development by iPic Theaters, VRL is confident that as a critical mass of locations is reached, this circuit will be a great asset and addition to the Company's cinema portfolio.

IMAGES: Sea World (top); Warner Bros. Movie World





IMAGES: L to R - *Dr Who*; *The Wolf of Wall Street*; Village Cinemas

Quality film product was an essential part of the division's performance with some of the best performing films during the 2014 year including *The Hunger Games: Catching Fire*, *The Hobbit: The Desolation of Smaug*, *Frozen*, *The LEGO Movie*, *Transformers 4*, *How to Train Your Dragon 2*, *Man of Steel*, *The Wolf of Wall Street*, *Thor: The Dark World*, *X-Men: Days of Future Past* and *Gravity*.

The cinema-going public will be delighted to know that the next financial year boasts one of the most impressive films slates seen for a number of years. The line-up of big budget movie blockbusters, quality specialist films and proven franchises includes: *Dawn of the Planet of the Apes*, *Rio 2*, *Guardians of the Galaxy*, *The Hunger Games: Mockingjay Part 1*, *Night at the Museum: Secret of the Tomb*, *Fifty Shades of Grey*, *The Avengers: Age of Ultron*, *Fast and Furious 7*, *Mad Max: Fury Road*, *Ted 2*, *Minions*, *Penguins of Madagascar*, *Big Hero 6*, *Inside Out*, *Jurassic World* and *San Andreas*. VRL is accordingly confident that the Cinema Exhibition division will deliver a robust performance in the coming year.

## FILM DISTRIBUTION

The largest independent film distributor in Australia and New Zealand, VRL's film and entertainment distribution division includes Roadshow Films, Roadshow Entertainment, Roadshow Digital and Roadshow Television. The division connects film content with audiences and through Roadshow's pivotal marketing expertise and diverse sales distribution network, titles are provided to various markets throughout their entire life-cycle - from theatrical release of films to cinemas, to home entertainment on Blu-ray and DVD and digital, subscription television and free to air television (including digital multi-channels) - as an effective one-stop solution for delivering content to audiences.

A strong second half was recorded compared to the corresponding period in 2013, with the division finishing the year to 30 June 2014 with an EBITDA of \$41.7 million, down 9.8% on the prior year's result, and PBT of \$34.8 million, down 8.3%. This result was largely the outcome of a challenging slate for theatrical cinema release and underperforming commercial content.

Once again, Roadshow Films finished the financial year as the leading theatrical film distributor in the market with a commanding 28.4% market share, up 2.9% on last year. This was aided by the delivery of many outstanding performances in the second half as the stronger performing films began to flow through the release schedule. Best performing films in the year to 30 June 2014 included well known franchises and record-breaking blockbusters - *The Hunger Games: Catching Fire*, *The LEGO Movie*, *The Wolf of Wall Street*, *The Hobbit: The Desolation of Smaug*, *American Hustle*, *Gravity* and *Edge of Tomorrow*.

A key partner and supplier of banner films for many decades, Warner Bros. continues to offer a slate of impressive movies to cater for all tastes. This long-standing distribution relationship with Warner Bros., dating back to 1971, is one that Roadshow Films values highly. Further strengthening VRL's future supply of A-list, quality film content, Roadshow also renewed the Lionsgate output agreement for an additional three year term from January, 2015. Roadshow's other core key supplier relationships, including Film Nation, Relativity, Village Roadshow Pictures and The Weinstein Company, place VRL at the forefront in the theatrical film industry.

Since its inception, VRL has been a proud supporter of our local film industry; and we have an unrivalled tradition of bringing to life iconic Australian stories - from classics such as *Mad Max*, *Gallipoli*, *Muriel's Wedding* and *Priscilla: Queen of the Desert*, to more recent screen legends, *Happy Feet* and *Red Dog*. In the 30 June 2014 year, two Australian films backed by Roadshow were released - *Wolf Creek 2* and *The Rover*. In addition to the recently distributed title *Felony*, starring Joel Edgerton and Tom Wilkinson, there are currently a number of unique Australian films forecast for release in the 2015 financial year including *Paper Planes* starring Sam Worthington and David Wenham, *Oddball* starring Shane Jacobson and Deborah Mailman, and *Now Add Honey* starring Portia de Rossi.

For Roadshow's slate of international films, the upcoming 2015 financial year is anticipated to be one of our strongest in years - including the third instalment in the hugely successful *Hunger Games* franchise, *Mockingjay Part 1*, the third instalment in the *Hobbit* franchise, *The Battle of the Five Armies*, the hotly anticipated sequel *Mad Max: Fury Road*, as well as *American Sniper*, *The Imitation Game*, *Big Eyes* and *San Andreas*.

In the ever evolving home entertainment business, where the digital revolution is changing the distribution landscape, Roadshow Entertainment experienced a challenging year impacted by a shift in how consumers view and own their content. Despite these challenges, Roadshow Entertainment remained the number one independent distributor in Australia with a significant 14.5% market share. The first half results were adversely affected by the timing and consistency of cinema release titles available to flow down through the distribution chain, however the division regained strength and benefited from a much stronger second half.

Regarding Roadshow Entertainment's sales of packaged media (Blu-ray and DVD), there were a number of outstanding results including some industry-best results for *The Hunger Games: Catching Fire*, *The Great Gatsby*, *The Wolf of Wall Street* and *Olympus Has Fallen*.

It is important to note that while the growth of the Digital format for the delivery of content to consumers is inevitable and to be wholly embraced, packaged media sales still represent a very healthy estimated total Australian market of over \$1 billion. Through Roadshow's prominent network of retail outlet partners including JB Hi-Fi, Kmart, ABC shops, Sanity, Woolworths, Target and Hoyts Kiosks, the division is confident of maintaining market share in the future.

TV content continues to play a crucial role in Roadshow's packaged media business. Leading properties this year included *Dr Who*, *Broadchurch*, *Fat Tony*, *Ja'mie-Private School Girl*, *Miss Fisher's Murder Mysteries*, *The Wiggles* and *Orange Is The New Black*. Through our long term relationships with the BBC, ABC, ITV, Shine, Screentime,



Fremantle, Endemol and Lionsgate, Roadshow retains the retail distribution rights for some of the world's best TV programs.

In the Digital market for film and TV content, strong growth was recorded for the year and it now represents \$153 million in sales for the total Australian market, split fairly evenly between Electronic Sell Through and Video on Demand. Roadshow's Digital division now holds a 16% market share in the movies category, which is the fastest growing segment when compared to TV series and Kids titles.

As a number of substantial new Digital services and platforms are expected to launch in FY2015, Roadshow is in prime position to benefit and grow in this vital new arena and remains pro-active in seeking new partners to maintain this growth strategy.

Roadshow's Television division, which is a key supplier of movies to the free to air networks (including digital multi-channels) and subscription television networks, performed strongly throughout 30 June 2014 year, mainly driven by the volume of programming delivered under our output arrangements as well as positive changes in scheduling and additional library sales to leading partners, Channel 9 and Foxtel. During the year, the division renewed its free-to-air TV output contract with Channel 9 for a further four years, ensuring a flow of volume titles and valuable revenue for Roadshow's film library.

## FILM PRODUCTION

Village Roadshow Entertainment Group ("VREG") consists of Village Roadshow Pictures ("VRP") and Village Roadshow Pictures Asia ("VRP Asia"). VRL holds 47.12% 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 78 film releases to date generating over US\$13.1 billion in worldwide box office revenues and 25 number one box office openings to date. VRP co-produces and co-finances feature length commercial motion pictures for theatrical exhibition around the world and for subsequent worldwide release in all media, including DVD, Digital, Free-to-Air and Pay television. VRP's motion pictures are developed and produced in partnership with major US motion picture studios, predominantly Warner Bros. VRP has won 10 Academy Awards and 4 Golden Globe Awards for films including for *The Great Gatsby*, *Training Day*, *Happy Feet* and *Mystic River*.

VRP released three films in the second half of the 2014 financial year: *The LEGO Movie*, breaking box office records, grossed US\$469 million worldwide, *Winter's Tale*, starring Russell Crowe and Colin Farrell which grossed US\$31 million worldwide and *Edge of Tomorrow*, which has grossed US\$368 million to date. Tom Cruise's star performance in *Edge of Tomorrow* saw it enjoy global success, topping the box office in Russia, Korea and China where there is massive demand for action and sci-fi genres.

VRP's objective is to release 6-8 films per year and this target is on track with an increased number of movies slated for the next financial year. Together with co-producer Warner Bros., VRP will be releasing:

- *Into the Storm* starring Richard Armitage, directed by Steven Quale (released in August 2014);
- *The Judge* starring Robert Downey Jr and Robert Duvall, directed by David Dobkin;
- *American Sniper* starring Bradley Cooper and Sienna Miller, directed by Clint Eastwood;
- *Jupiter Ascending* starring Channing Tatum and Mila Kunis, directed by the Wachowskis;
- *In the Heart of the Sea* starring Chris Hemsworth, directed by Ron Howard;
- *Mad Max: Fury Road* starring Tom Hardy and Charlize Theron, directed by George Miller; and
- *San Andreas* starring Dwayne Johnson and Carla Gugino, directed by Brad Peyton.

In September 2014, VRP concluded an agreement with Sony Pictures for *The Equalizer* and is negotiating to acquire further films.

VRP Asia released one film during the year, *Man of Tai Chi*, in July 2013 which marked the directorial debut by Keanu Reeves. VRP Asia is committed to building its Chinese film business with upcoming releases *Zhong Kui: Snow Girl and The Dark Crystal*, *Mountain Cry* and *IPO*. Produced by Academy Award winning cinematographer, Peter Pau (*Crouching Tiger, Hidden Dragon*), *Zhong Kui* is slated for release in January 2015. The continued growth of the Chinese film business will create a valuable portfolio of films, ensuring that VRP Asia solidifies its film production presence in this key region.

No cash dividends were received from VREG in FY2014. These dividends depend on film performance and available free cash flow in VREG.

## CORPORATE AND DIGITAL

The recently formed Digital division, consisting of Edge Loyalty and MyFun, continues to exceed expectations, showing strong organic and acquisitive growth through the expansion of the business into new channels and markets. Edge Loyalty comprises loyalty programs and promotion activities with brands such as Giftango, Gifte, Hollywood Movie Money, Gift Card Planet and Good Food Gift Card whilst MyFun is an online entertainment destination selling experiences at over 200 attractions around Australia.

Edge Loyalty is the market leader in gift cards, one the fastest growing segments, having issued over 700,000 new gift cards for some



of Australia's largest corporations during the year. Edge Loyalty has secured preferred supplier agreements with many leading brands including Fujitsu, Harvey Norman and Carlton and United Breweries and is the dominant provider in the loyalty, rewards and promotion market.

During the year, the Digital division completed the acquisition of Lifestyle Rewards, which has helped expand Digital's reward and loyalty offering. The division also has exciting plans to enter the Asian market in calendar year 2015 via a roll-out of products similar to Australia.

During the year VRL also endorsed a program of Digital Development work across the divisions, focussing on enhancing on-line data collection, analytics and overall engagement with customers via digital means i.e. websites, smart phones, tablets, etc.

VRL is extremely pleased by the great performance of these new businesses and is confident that it will build a valuable asset and contribute materially to earnings in the medium term. The revenues and costs of the Digital division are included in the 'Corporate and Other' results.

The total net Corporate and Other costs for the year ended 30 June 2014 were \$32.3 million compared to \$27.1 million for the year to June 2013, including China / South East Asia development costs. EBITDA cost for the year to 30 June 2014 was \$30.0 million, in line with the prior year.

Net interest revenue was lower in the current year compared with the prior year due to lower cash reserves and draw down on debt facilities, as a result of the payment of the shareholder distributions previously outlined and the capital funding of the Wet'n'Wild Sydney development. Asia Development net costs are associated with the South East Asia and China Theme Parks expansion strategy and projects. As mentioned earlier, it is paramount that VRL puts in place the right structures, secures and trains the right people, and establishes a local presence in the region. This will provide VRL with the best prospects of success as VRL evaluates and progresses with the numerous growth opportunities available to it. It is expected that these costs will be higher in the 2015 year as the Hong Kong office is established.

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

## THE YEAR AHEAD

The VRL group has again produced solid operating results for the year ended 30 June 2014 with robust and durable earnings from its core businesses. The Company enjoys quality, stable cash flows from its established businesses which provide a platform from which to build for the future. During the year we have built and opened a major new theme park in Wet'n'Wild Sydney and we have progressed with our Asian theme park strategy.

The Company has invested in its businesses and in its future. By servicing the desire of people to want to go out, to be entertained, the VRL Board is confident of the Company's future prospects. VRL has been very successful in maintaining and enhancing our cinemas and theme parks as fashionable and exciting venues to cater for this insatiable demand.

VRL applauds the direction the Australian Government is taking to introduce legislation to curtail online piracy in Australia.

Despite the level of piracy, VRL's film businesses remain strong. The Government initiative mirrors that occurring in many other countries where either government or industry are addressing piracy including the UK, USA and particularly relevant is the success in Korea, which was the first country to receive high speed broadband. On the flip side of the digital revolution are enormous opportunities for the Film Distribution division in creating a low margin, low cost, exciting new business model in what will be a totally new sector of VRL's business.

The VRL Board has demonstrated its commitment to maintaining a stable, growing dividend return to shareholders whilst building exciting expansion opportunities for the future. We are also proud of VRL's strong share price appreciation over the past few years and believe this reflects the market's recognition of VRL's solid cash flows, strong management, corporate governance initiatives and our demonstrated program for future growth. One of the consequences of this increasing share price and investor interest is that the Company is now included in the ASX 200 Index.

During the year, with the agreement of the VRL Board, both of the under-signed clarified and formalised the reality of the arrangement of our mutual understanding over a number of years of working seamlessly together. Accordingly in November 2013 we became Co-CEOs and Co-Executive Chairmen of the Company that we love and serve.

However, as always, achievements are only realised by people. VRL is also immensely pleased that the Company's success has been built by the harmonious team efforts of the talented, loyal and dedicated people at Village Roadshow. To all, the Board extends its thanks.

We must also note with gratitude the immense contribution that our friend and Board colleague Barry Reardon has made to the Company. Barry has decided not to seek re-election at the 2014 annual general meeting in November this year after having served as an Independent Non-executive Director of the Company since March 1999. Barry's insightful observations and industry knowledge will be sadly missed.

We also thank you, our shareholders, for your continued support and backing throughout the year.



ROBERT G. KIRBY



GRAHAM W. BURKE

IMAGES: Village Cinemas ; *The Hunger Games: Mockingjay Part 1*; Wet'n'Wild Sydney





## CORPORATE DIRECTORY

### Contact Information

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### Film Distribution

#### Roadshow Films

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### Investor Inquiries

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

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

### Share Registry

#### Computershare Investor Services Pty Limited

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Ph: 1300 555 159 Fax: 03 9473 2500 within Australia  
Ph: +613 9415 4062 outside Australia  
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### Home Exchange

#### Australian Securities Exchange

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### Film Production

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