

ANNUAL
REPORT 2017



VILLAGE ROADSHOW LIMITED



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Village Roadshow was founded by Roc Kirby in Melbourne, Australia in 1954 and has been listed on the Australian Securities Exchange since 1988 (ASX: VRL). Since these humble beginnings, VRL has become a leading entertainment company with strong cashflow generating businesses and well recognised retail brands. Village Roadshow holds a diversified portfolio of assets including Theme Parks, Cinema Exhibition, Film Distribution, Marketing Solutions and Film Production, entertaining millions of people annually.

THEME PARKS

Village Roadshow has been involved in theme parks since 1989, is Australia's leading theme park developer and owner, and is one of the pre-eminent theme park operators in the world. In Australia, this includes Warner Bros. Movie World, Sea World, Wet'n'Wild Gold Coast, Paradise Country, Australian Outback Spectacular and Sea World Resort on Queensland's Gold Coast, and Wet'n'Wild Sydney. Village Roadshow Theme Parks ("VRTP") also operates and has majority ownership in Wet'n'Wild Las Vegas. VRTP has a program of development including Topgolf in Australia and theme park opportunities in Asia.

CINEMA EXHIBITION

Cinema Exhibition is where Village Roadshow started, with its first drive-in cinema opening in 1954. Today Village Roadshow jointly owns and operates a combined 784 screens at 83 sites operating predominantly in Australia. VRL continues to drive and embrace innovation, with 3D blockbuster movies and premium cinema concepts including **Gold Class**, **max**, **premium** and **Junior**. VRL is continuing to invest in the expansion of premium cinema concepts and new entertainment offerings and developments, including in new population areas.

FILM DISTRIBUTION

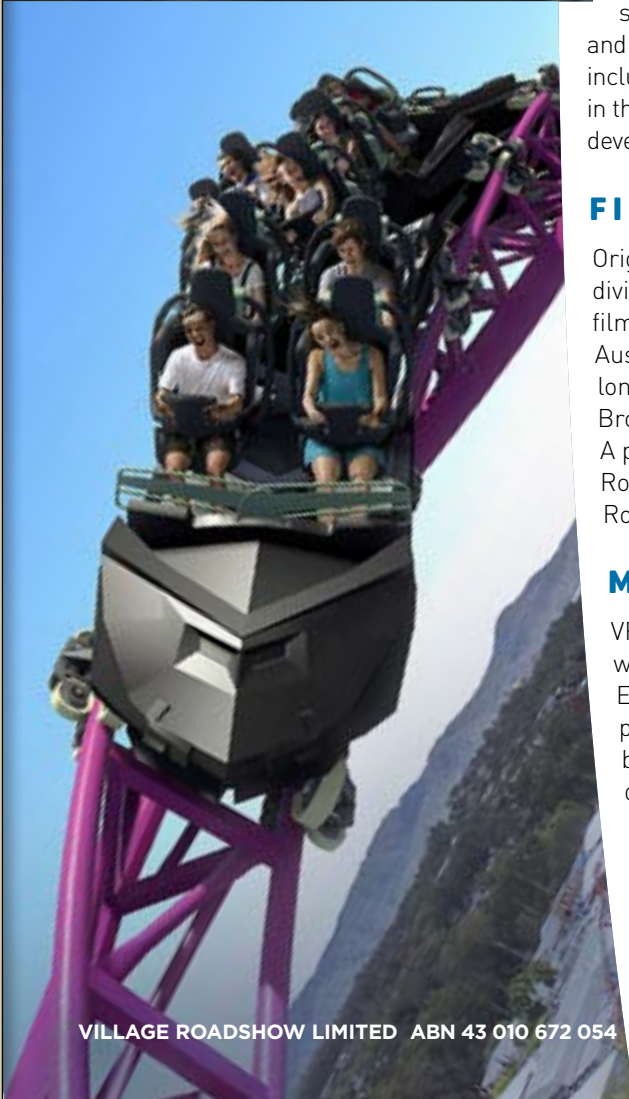
Originally started by Village Roadshow in the late 1960's, VRL's Film Distribution division ("Roadshow") is Australasia's largest independent distributor of theatrical films to cinemas. The business also distributes movies and television series in Australia and New Zealand across physical and digital platforms. The division has long standing distribution agreements with key film suppliers including Warner Bros., ABC, BBC, STX, The Weinstein Company and Village Roadshow Pictures. A proud, passionate and active supporter of Australian film and television, Roadshow's strategy of investing in original content creation includes through Roadshow Rough Diamond, BlinkTV, and a 31% interest in FilmNation.

MARKETING SOLUTIONS

VRL's Marketing Solutions division is a leader in consumer incentive programs, with head offices in Australia and the UK. Comprising four core businesses – Edge, Edge Consumer, Opia and Lifestyle Rewards – and focussing on digital platforms and rewards, the division works with some of the world's largest brands to engage with key audiences, lift customer retention, drive sales, and deliver customer insights.

FILM PRODUCTION

VRL owns 20% of Village Roadshow Entertainment Group which consists of Village Roadshow Pictures and Village Roadshow Pictures Asia.



To Our Shareholders

REFLECTING ON 2017

The Board of Directors of Village Roadshow Limited ("VRL") report on the results for the financial year ended 30 June 2017 ("FY2017" or "current year"), following a year of theme parks headwinds that could never have been contemplated.

The Company delivered an attributable net loss of \$66.7 million for the 12 months to 30 June 2017 after losses from material items after tax of \$90.3 million, compared to attributable net profit of \$15.7 million for the financial year ended 30 June 2016 ("FY2016" or "prior year").

Earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations ("EBITDA") for the current year was \$136.3 million (\$168.8 million in the prior year).

The current year's attributable net profit before material items and discontinued operations ("NPAT") was \$23.6 million (\$50.9 million for the prior year).

Diluted earnings per share before material items and discontinued operations was 14.6 cents per share for the current year, compared to 31.4 cents per share for the prior year.

The overarching impact on this year's trading was the tragedy that occurred at Dreamworld in October 2016, and was something that management could never have contemplated. Furthermore, the odds of this happening have been estimated as hundreds of millions to one. Although not in a VRL park, the unprecedented publicity resulted in broad based community concerns about ride safety, dramatically impacting the earnings of VRL's Australian theme parks. Based on overseas experience this concern is expected to dissipate, and VRL is implementing dynamic initiatives led by recently appointed Theme Parks CEO, Clark Kirby, that will accelerate this correction. These include:

- The new *DC Rivals HyperCoaster*, which is the biggest individual theme park attraction ever constructed on the Gold Coast. It is the longest, highest and fastest rollercoaster in the Southern Hemisphere and is a 'must experience' for young adults and families alike. This was launched with great success in September;
- The beautiful new polar bear cub "Mishka" on display at Sea World;
- An interactive Splash Zone at Sea World opening in late 2017;
- A new seal show to start at Sea World in December 2017; and
- An incredible Sea Jellies exhibition (partnered with Griffith University and Surf Lifesaving), opening at Sea World in time for the Easter 2018 school holidays, which overseas experience indicates will be a 'must see'.

VRL's Board is committed to shareholder returns, while maintaining the ability to invest in the business. However, investment in opportunities for future growth, combined with the unforeseen decline in earnings, resulted in Net Debt/EBITDA of 3.87x at 30 June 2017.

Given the current leverage and substantial growth opportunities available, the Board has not declared any dividends in relation to FY2017. This is a cautious short-term measure under the current conditions and the Directors intend to reinstate the dividend as soon as it is deemed prudent.

A summary of key financial details is shown in the 5 Year Financial Summary on page 76.



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





THEME PARKS

FY2017 was a very challenging year for Village Roadshow Theme Parks ("VRTP") and the Australian Theme Park industry as a whole. The impact of the tragedy which occurred at Dreamworld on 25 October 2016 resulted in an extremely disappointing outcome for the Theme Parks division.

VRTP delivered an FY2017 EBITDA result of \$55.9 million, compared to \$88.0 million in the prior year. Operating profit (loss) before tax excluding material items and discontinued operations ("PBT") was a loss of \$8.8 million for FY2017, compared to a profit of \$23.4 million for the prior year.

Despite a solid start to the VIP and Membership programs at the Gold Coast parks in FY2017, attendance declined substantially following the tragedy at Dreamworld. The decline was seen primarily in the core Queensland market. This is unsurprising given the high profile the Theme Park industry has in South East Queensland, the extensive media coverage of the tragedy, and subsequent local media coverage of routine ride stoppages. Additionally, membership renewals declined markedly following the tragedy but have since stabilised, albeit at lower levels. The combined impact on attendance and membership renewals resulted in a decline in both in-park and admissions revenue.

Sea World Resort underperformed the prior year, however it remains ranked at number one in its competitor set. Paradise Country delivered a result in line with the prior year and Village Roadshow Studios delivered an all time record result.

A number of projects were completed during the current year, enhancing the guest experience. These included the virtual reality upgrade to *Arkham Asylum*, the opening of the *DC Villains* area and the *Doomsday Destroyer* ride at Warner Bros. Movie World; the introduction of eco tents at Paradise Country, and the renovated Plaza at Sea World which offers all-weather shelter for park guests.

During the second half of FY2017 and into the 2018 financial year ("FY2018"), VRTP has proactively marketed and continued a number of promotional projects aimed at building the parks back to prior years' results. This included a media campaign focussed on "The **MAGIC** can be yours **NOW**" as well as actively tackling the local market perception of ride risk with targeted safety videos sent directly to the marketing database as well as being distributed through digital channels.

Key initiatives in FY2018 include the *DC Rivals HyperCoaster* at Warner Bros. Movie World, as well as the display of Mishka, the new polar bear cub, an interactive Splash Zone, a new seal show, and Sea Jellies, all at Sea World.

Work continues to bring the first Topgolf to Australia at the Oxenford site, adjacent to Warner Bros. Movie World in mid-2018. Topgolf is a global leader in sports entertainment and has enjoyed enormous success. Topgolf has opened 31 sites in the USA so far (with a further nine sites under construction) and achieved outstanding paybacks. This project utilises some of the available land at Oxenford and diversifies VRTP's offering.



Wet 'n' Wild Sydney opened its summer season in September 2016 to solid attendance on warm weather days. A number of enhanced guest experience initiatives, including a ride reservation system, additional shade, enhanced food menu and the *Dinosaur Lagoon* exhibition were introduced and were well received by guests. Unfortunately, following the Dreamworld tragedy, Season Pass sales and attendances declined and Wet 'n' Wild Sydney delivered an EBITDA of \$3.1 million for FY2017, down from \$9.0 million in the prior year.

The focus in Wet 'n' Wild Sydney in FY2018 will be providing the best possible guest experience and tracking progress through the Net Promoter Score system, refining the media approach, targeting western Sydney to build brand equity and loyalty, and reducing operational costs through a streamlined calendar and targeted events and utilising Gold Coast managers on a rotational basis.

Wet 'n' Wild Las Vegas (50.09% owned by VRL) closed for the 2016 season in late September 2016, and re-opened for the 2017 season on 1 April 2017. A change in the school calendar saw the park lose 10 operating days in FY2017, and a tragic drowning at the competitor waterpark in mid-June 2017 further impacted results. The park delivered an EBITDA of \$3.5 million for FY2017. A focus on customer service to attract the local customer base will continue at this park.

In Asia, VRTP is progressing two major opportunities, with customary Asian long lead times. VRTP is currently providing consulting services for the development of China's first Wet 'n' Wild branded water park at Haikou on Hainan Island and will operate the park following its opening, expected in the first half of calendar year 2018. VRTP is also consulting on the development of Lionsgate Entertainment World at Novotown on Hengqin Island, themed around some of Lionsgate's key franchises, such as *The Hunger Games* and *Twilight*. VRTP will also manage its operations after opening, expected in calendar year 2019.

The Gold Coast theme parks saw positive signs of recovery in attendance in the fourth quarter of FY2017 and into FY2018. The Gold Coast parks had a strong pre-sales campaign at the end of FY2017, and deferred revenue taken into FY2018 is largely in line with that taken into FY2017.

It is expected that the Australian Theme Park market may take some time to recover from the tragedy that occurred at Dreamworld in October 2016. However, an uncompromising approach to safety is integral to the guest experience and the Village Roadshow Theme Parks brand. This approach is manifest in the quality of attraction selection, safety awareness programs and induction processes to ingrain VRL's safety culture in all team members. These programs are benchmarked on the highest global industry standards. It is expected that the division will deliver an FY2018 EBITDA result which is a substantial improvement on FY2017.





CINEMA EXHIBITION

The Cinema Exhibition division delivered an EBITDA result of \$76.6 million in FY2017 (\$82.0 million in the prior year). While the division did not reach the prior year's record result, this is a solid outcome as it only included 11 months of the Singapore based Golden Village cinema exhibition circuit earnings, as this investment was held for sale from 1 June 2017. In addition the division was cycling the strong box office of *Star Wars: The Force Awakens* in FY2016 and some final quarter FY2017 titles underperformed expectations. Top titles in FY2017 included *Rogue One: A Star Wars Story*, *Beauty and the Beast*, *Suicide Squad*, *Guardians of the Galaxy 2* and *Wonder Woman*.

The Australian Cinema Exhibition business delivered its second highest full year EBITDA on record. This was despite the reopening of a competitor site at Chadstone, closures of Village Cinema screens for upgrades now completed at Hobart (Tasmania) and Southland (Victoria), tactical pricing initiatives at target sites and the roll off of Virtual Print Fees.

Village "Cinemas" has seen a change in emphasis to Village "Entertainment". The Cinema Exhibition division has a clear strategy to position itself as a destination of choice through a diverse offering of exceptional experiences which are complemented by high standard traditional cinemas. These concepts appeal to specific market segments and give Village Entertainment a competitive advantage over other offerings in the market.

This strategy has a demonstrated ability to drive increased average ticket price and incremental spend per person. In FY2017, a higher mix of **Gold Class** and the successful expansion of premium concepts drove increased average ticket price in the Victorian circuit, with Gourmet Popcorn and record Functions & Events sales also driving spend per person.

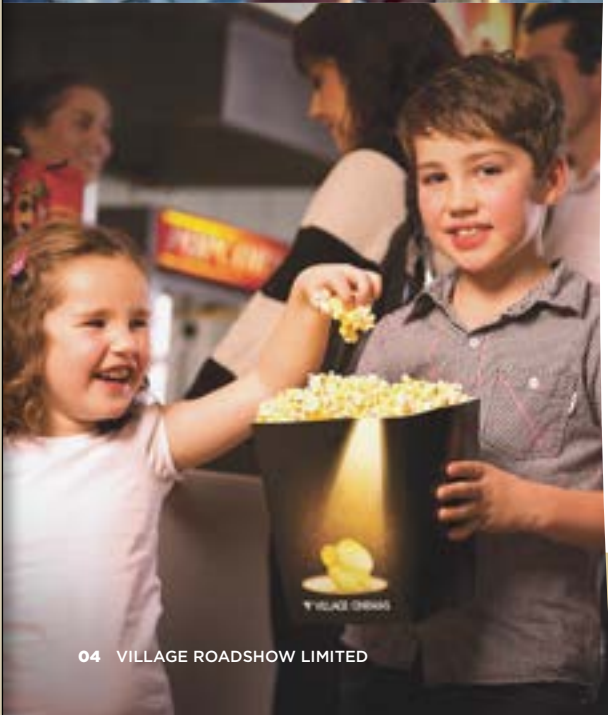
The division has now introduced the very successful new concept, **Junior**, at Southland (opened December 2016) and Fountain Gate (opened June 2017) in Victoria. This concept has exceeded expectations, driving increased average ticket price, spend per person and admissions.

Combined with the successful introduction of premium bar concepts at the Jam Factory and Rivoli sites in Victoria and further roll out of **premium**, (Hobart and Southland), VRL continues to enhance the going out experience and drive incremental revenue.

In line with its strategy to expand into population growth corridors, the division also has a number of new sites committed and will also continue the targeted roll out of premium concepts nationally.

The Golden Village cinema circuit in Singapore (50% owned by VRL) delivered an EBITDA of \$8.4 million (share of associate's profits) for the 11 months to 31 May 2017 and increased market share to 44.5% from 43.7% in the prior year. This was a strong result as uncertain economic conditions saw Singapore's box office industry decline 6.8% over FY2017. The eight screen site under development at the SingPost Centre at Paya Lebar is expected to open in the first half of FY2018.

As noted above, VRL's 50% stake in Golden Village has been treated as held for sale since 1 June 2017, and the potential sale of this stake is well advanced.



During FY2017, USA based iPic Theaters (“iPic”) raised additional capital, and VRL’s ownership was diluted from 30% to 28%. iPic opened three new sites during the year, at Fulton Market in Manhattan, Fort Lee in New Jersey, and Dobbs Ferry in New York, and all three are performing to expectations.

During the year VRL settled the long-running dispute relating to the Belfast cinema lease, and is now operating the cinema under a short-term rent free arrangement. No further trading losses associated with this site are expected, and VRL welcomes the conclusion of this long running matter.

FY2018 has opened with sound results from *Spider-Man: Homecoming*, *IT* and *Dunkirk*. The division is forecasting a stronger second quarter of FY2018 with *Star Wars: The Last Jedi*, *Justice League*, *Avengers: Infinity War* and *Thor: Ragnarok*.

FILM DISTRIBUTION

The Film Distribution division (“Roadshow”) delivered an FY2017 EBITDA of \$21.2 million after a challenging year (\$24.5 million in the prior year). The division was negatively impacted by the underperformance of some film titles and the ongoing decline of the physical (DVD and Blu-Ray) market.

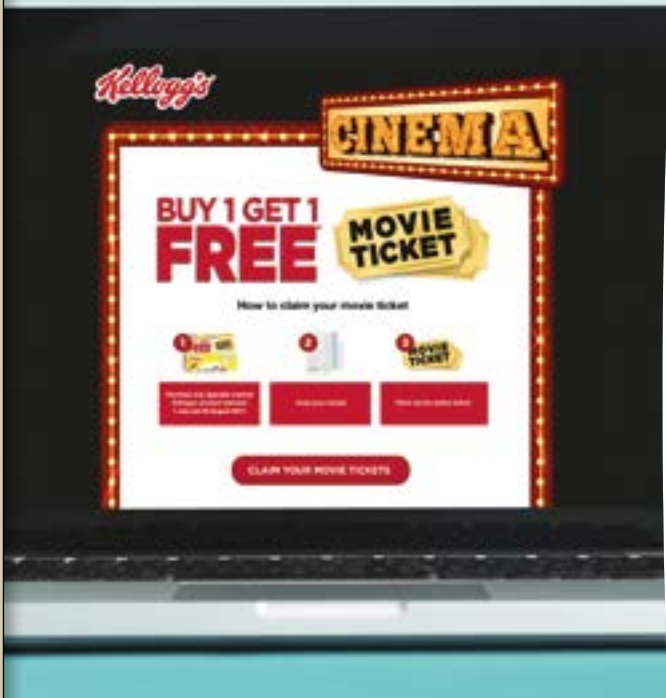
Roadshow is morphing to a new business model which consists of four pillars. Firstly, the division is aligning costs in the core distribution business, with a structured approach to reductions in the cost base delivering recurring savings of approximately \$2 million per annum in addition to savings already implemented. The core business will also focus on targeted film acquisitions and content partner selection, combined with an increased focus on direct engagement with customers through the division’s digital marketing strategy.

Second, Roadshow is also expanding its presence in television production with Roadshow Rough Diamond and BlinkTV. The first production, the miniseries *Romper Stomper*, is shooting in Melbourne. Third, in the theatrical sphere, Roadshow is well advanced in putting in place the building blocks for a portfolio of quality Australian product which is planned to be financed by a third party film investment fund. Finally, the division’s investment in FilmNation continues to provide positive exposure to an international sales and production company.

The Film Distribution division’s sales have been adversely impacted by piracy, however, new government legislation has enabled site blocking of pirate sites that constitute 95% of the illicit traffic. Concurrent with this action, the industry has launched a powerful national public relations campaign that piracy is illegal and warning people of the real dangers of malware and stolen credit card details that exist in the pirate space. It is expected, based on overseas experience, that these initiatives and others will significantly reduce piracy, which should remove this negative impact on Roadshow’s results.

Major titles for the division in FY2018 include *Justice League*, *IT*, *Tomb Raider*, *Ready Player One*, *Ocean’s Eight*, as well as new releases from major TV franchises, *Game of Thrones* and *Westworld*. Roadshow’s FY2018 EBITDA will depend on film performance.





MARKETING SOLUTIONS

The Marketing Solutions division delivered EBITDA of \$9.8 million for FY2017, up from \$8.0 million in the prior year, as the division added staff and aligned for future growth.

The Marketing Solutions division has continued to invest in and develop its cutting edge technical platform capabilities to deliver highly scalable and increasingly integrated promotional solutions. This will enable geographic expansion and support the growth profile of the business.

In line with Edge Australia's business strategy, the current year result was primarily driven by strength in the division's Promotions and Digital offerings. In July 2017, Edge Loyalty rebranded as Edge, reflecting the move toward a more sophisticated suite of digital platform based promotional solutions. In early FY2018 Edge will launch its unique combination of digital platforms and engaging rewards into the Asian market.

UK based Opia's FY2017 result was impacted by Brexit, with a softening of market sentiment reducing promotional activity in the core UK market, and the devaluation of the UK Pound resulting in lower earnings reported in Australian dollars. Notwithstanding the short term negative economic influences on Opia, the fundamentals are strong. Opia has seen stable sales in Europe, and the newly appointed teams in USA and Asia have seen good interest, with campaigns run in both regions in the last quarter of FY2017.

FY2018 has started well, with a number of promotions in the market for key clients, and the first Edge promotion in the Asian region will be launched for Microsoft. The division will continue to expand its global footprint with Edge and Opia moving into Asia and Opia further into the USA in FY2018, and the Marketing Solutions division is expected to slightly outperform FY2017.



FILM PRODUCTION

Village Roadshow Entertainment Group ("VREG") has recently had a run of disappointing films including *The Brothers Grimsby*, *Fist Fight*, *Collateral Beauty* and *Passengers*. This has ever been the nature of the portfolio business which has always been hit driven. To strengthen the business' future, VREG has joined with Vine Alternative Investments. Following the latest restructuring, VRL has reduced its shareholding to 20% of what will be a stronger entity.

The strategic plan for the business is to enhance core competencies and drive long-term value through a focus on the portfolio of proven global sequels and franchises including *Matrix*, *Ocean's* and *Mad Max*, driving the Chinese production joint venture with Perfect World, VREG and WME-IMG, and diversifying into new business streams leveraging Vine's and VREG's deep copyright library.

The division is on the brink of three very strong projects in *Ready Player One*, *Ocean's 8* and *The 15:17 Train to Paris*. VRL has never felt more confident about the potential future capital growth in this part of the business.



CORPORATE AND OTHER

Total net Corporate & Other costs for FY2017 were \$33.5 million, compared to \$39.6 million in the prior year, and the current year EBITDA was a \$27.2 million loss, compared to a \$33.7 million EBITDA loss in the prior year.

The VRL Group had net debt of \$527.1 million at 30 June 2017, giving a gearing ratio of 57%. VRL remains in compliance with its debt covenants. The Board has been actively working towards reducing gearing significantly. This includes the potential sale of VRL's 50% stake in the Singapore Cinema Exhibition business, Golden Village, which is well advanced, and the potential sale and long-term leaseback of the Company's freehold land at the Oxenford, Queensland site. The group will remain focussed on cost control and judicious capex spending, with FY2018 capex expected to be largely in line with FY2017 excluding the investment in Topgolf.

Material items loss after tax of \$90.3 million in FY2017 comprised the following:

- Equity-accounted losses on net investments of \$25.8 million, being the previously announced losses of \$6.6 million in relation to the VREG subordinated loan of USD 5 million, and \$19.2 million in relation to iPic contributions of USD 14.3 million;
- Restructuring costs totalling \$4.7 million across the VRL group;
- Impairment of assets and other non-cash adjustments totalling \$72.3 million, including the previously announced impairment of assets at Wet'n'Wild Sydney of \$55.0 million, impairment of assets at the Gold Coast Theme Parks of \$4.8 million, and write-downs of \$12.4 million in relation to Film Distribution Royalties;
- Gain on reversal of the onerous lease provision relating to Belfast of \$7.5 million; and
- Dividend received from Singapore asset held for sale of \$5.0 million.

VRL continues to operate its businesses in an environmentally 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 on these matters is available on the Company's website at www.villageroadshow.com.au.





IN CONCLUSION

VRL Co-Executive Chairman and Co-Chief Executive Officer, Mr. Robert Kirby said:

“In a time of unexpected turbulence in the trading of our biggest business we have been concentrating on consolidating costs and reaffirming the strength in VRL’s capital structure by way of asset sales and debt reduction. We will emerge out of the setback stronger.”

VRL Co-Executive Chairman and Co-Chief Executive Officer, Mr. Graham Burke said:

“Stealing from the words of Queen Elizabeth, this truly has been our *annus horribilis*. The good news however is that it doesn’t reflect any underlying issue with our primary business and there is no doubt with the energy and planning in place that we will turn it around.”



The essence of VRL is going out. Disruption from the internet challenges large sectors of commerce and in particular areas of retail and media. While people may want savings and the convenience of shopping at home, they will always want to go out for entertainment. VRL’s primary businesses are going out experiences whether it be theme parks, cinemas or the exciting Topgolf concept opening on the Gold Coast in mid-2018.

On behalf of the Board we wish to thank the Company’s dedicated, talented and loyal staff and management for their outstanding contributions during the year.

We thank all our customers for their continued support and we thank you, our shareholders, for your support throughout the year.



ROBERT G. KIRBY

GRAHAM W. BURKE



FINANCIAL REPORT 2017

VILLAGE ROADSHOW LIMITED ABN 43 010 672 054

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DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2017.

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
Graham W. Burke
John R. Kirby
David J. Evans
Jennifer Fox Gambrell
Robert Le Tet
Timothy M. Antonie
Julie E. Raffae (alternate for Messrs. R.G. Kirby and G.W. Burke)

Company Secretaries

Shaun L. Driscoll
Julie E. Raffae

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

Directors



Robert G. Kirby AO
Co-Executive Chairman and Co-Chief Executive Officer, Executive Director

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. Chairman of Village Roadshow Limited 1994 to 1998, 2002 to 2006 and from June 2010 to 29 November 2013 when he became Co-Executive Chairman and Co-Chief Executive Officer. Deputy Chairman Village Roadshow Limited 1990 to 1994, 1998 to 2002 and 2006 to June 2010. 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. Director of Village Roadshow Corporation Pty. Ltd., Former Board member and Deputy Chair of Peter MacCallum Cancer Foundation for 15 years, Member of Patrons Council of Epilepsy Foundation and Patron of Arts Centre Melbourne.

Member Executive Committee

Other Listed Public Company Directorships in previous 3 years: Nil



Graham W. Burke
Co-Executive Chairman and Co-Chief Executive Officer, Executive Director

Member of the Board since 9 September 1988. Chief Executive Officer of Village Roadshow Limited from 1988 to 29 November 2013 and Co-Executive Chairman and Co-Chief Executive Officer from 29 November 2013. With unrivalled experience in the entertainment and film industries, Mr. Burke has been one of the strategic and creative forces behind Village Roadshow's development and founded Roadshow Distributors with the late Mr. Roc Kirby. Mr. Burke has been integral to strategically developing Warner Bros. Movie World and Village Roadshow's involvement with Sea World as well as ongoing Australian and international film production. Chairman of Creative Content Australia (formerly IP Australia Foundation) from March 2016. Director Village Roadshow Corporation Pty. Ltd.

Chairman Executive Committee

Other Listed Public Company Directorships in previous 3 years: Nil



John R. Kirby AM, D Univ
Deputy Chairman, Non-Executive Director

Bachelor of Economics, University of Tasmania. Awarded Honorary Doctorate, Griffith University. Member of the Australian Society of Accountants. Chairman of Village Roadshow Corporation Pty. Ltd. 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 Village Roadshow, and has been at the forefront of many of the Group's successful growth outcomes today. Currently Chairman of the Sony Foundation Australia, Director of Griffith University Advisory for CILECT Congress, Asia Pacific Screen Academy, Queensland College of Arts, and Victoria University Confucius Institute. Previously Chairman, Village Roadshow Limited and Austereo Limited. He was Chairman The Salvation Army Advisory Board and Red Shield Appeal, Deputy Chairman of The Conversation Media Group, former Director of IMNIS and former Director of Jigsaw Foundation at the Royal Children's Hospital, Surf Life Saving Australia Foundation. Former Chairman of Sponsors Appeal Committee of the Victorian College of the Arts, and former Deputy Chairman of the Interim Council of the National Film and Sound Archive. Former member of the Victorian Premier's Multi Media Task Force, Victorian Advisory Council of the Australian Opera, and Progressive Business Victoria and former advisor, Commando Welfare Trust.

Other Listed Public Company Directorships in previous 3 years: Nil



David J. Evans
Independent Non-Executive Director

Member of the Board since 2 January 2007, Lead Independent Director from 1 July 2014 to 5 September 2017. 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.

Member Remuneration Committee
Chairman Corporate Governance & Nomination Committee

Other Listed Public Company Directorships in previous 3 years: Nil



Robert Le Tet
Independent Non-Executive Director

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 Corporate Governance & Nomination Committee

Other Listed Public Company Directorships in previous 3 years: Nil

DIRECTORS AND SECRETARIES (continued)

Directors (continued)



Timothy M. Antonie
Independent Non-Executive Director

Member of the Board since 1 December 2010, Lead Independent Director from 5 September 2017. 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
Chairman Remuneration Committee
Member Corporate Governance & Nomination Committee

Other Listed Public Company Directorships in previous 3 years:
Premier Investments Limited, since 1 December 2009
Breville Limited, since 19 December 2013



Jennifer Fox Gambrell
Independent Non-Executive Director

Member of the Board since 19 November 2015. Holds a Doctorate in Business Administration (DBA) from the International School of Management in Paris and an MBA from Baylor University in Texas. Until the sale to Accor in 2016, was President of Fairmont Hotels and Resorts and President FRHI International, overseeing the luxury brand's global hotel portfolio including Raffles, Fairmont and Swissôtel in all international markets outside

North America. Over 25 years of experience in the luxury, resort and business segments of the hospitality industry. Formerly Chief Operating Officer, Europe as well as Senior Vice-President Global Brand Management for InterContinental Hotels Group, and previously holding several senior management roles at Starwood and ITT Sheraton including VP Global Brand Manager Sheraton Hotels & Resorts.

Member Remuneration Committee
Member Audit & Risk Committee

Other Listed Public Company Directorships in previous 3 years: Nil



Julie E. Raffé
Finance Director

Member of the Board since 15 May 2012 as alternate director for Messrs. R.G. Kirby and G.W. Burke. Fellow of Chartered Accountants Australia and New Zealand, Fellow of Financial Services Institute of Australia, and graduate of Australian Institute of Company Directors. Formerly Chief Financial Officer since 1992, Ms. Raffé has over 25 years experience in the media and entertainment industries. Director of Village Roadshow's wholly owned subsidiaries.

Member Executive Committee

Other Listed Public Company Directorships in previous 3 years: Nil

Company Secretaries

Shaun L. Driscoll

Group Company Secretary

Holds a Bachelor of Arts and Bachelor of Laws from University of Natal, is a Chartered Secretary and Fellow of the Governance Institute of Australia. Formerly Co-Company Secretary & Group Manager Corporate Services, Mr. Driscoll has diverse industry experience including over 25 years with Village Roadshow. Chairman of the Group's Management, Risk & Compliance Committee, Secretary of all Village Roadshow group companies and Director of Village Roadshow's wholly owned subsidiaries.

Julie E. Raffé

Finance Director

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	67,946,273	-
Graham W. Burke	67,946,273	2,250,000
John R. Kirby	67,946,273	-
David J. Evans	111,971	-
Jennifer Fox Gambrell	28,870	-
Robert Le Tet	198,253	-
Timothy M. Antonie	22,485	-
Julie E. Raffé (alternate)	747,360	-

Messrs R.G. Kirby, G.W. Burke and J.R. Kirby 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");
- Film and DVD distribution operations ("Film Distribution"); and
- Sales promotion and loyalty program operations ("Marketing Solutions").

In addition the VRL group has equity-accounted interests in the Village Roadshow Entertainment Group business ("VREG") which has film production activities ("Film Production") - refer to Note 11 to the Financial Statements for further details. Other activities, including corporate overheads, financing activities, and digital and information technology development, are included under 'Other'.

Overview of Results and Dividends/Distributions

The VRL group reported an attributable net loss of \$66.7 million for the year ended 30 June 2017 ("FY2017"), compared to an attributable net profit of \$15.7 million for the year ended 30 June 2016 ("FY2016"), which included attributable losses after tax from material items of \$90.3 million in FY2017 and \$35.2 million in FY2016. Losses from material items after tax of \$90.3 million in FY2017 included impairment and other non-cash adjustments of \$72.3 million - refer page 13 for further details in relation to material items.

Attributable net profit, before material items and discontinued operations ("NPAT") for FY2017 was \$23.6 million, compared to the prior year result of \$50.9 million. Earnings before interest, tax, depreciation and amortisation, excluding material items and discontinued operations ("EBITDA") for FY2017 was \$136.3 million, compared to the prior year result of \$168.8 million.

Basic loss per share from continuing operations was (41.3) cents (FY2016: earnings per share of 9.8 cents). There were 499,700 potential ordinary shares in FY2017 (FY2016: 1,601,464 potential ordinary shares which were dilutive). Diluted earnings per share before material items and discontinued operations for FY2017 was 14.6 cents per share, compared to the prior year result of 31.4 cents per share, based on a weighted average total of 162,107,143 ordinary shares (FY2016: 162,159,487 ordinary shares).

In FY2017, a fully-franked final dividend of 14.0 cents per ordinary share was paid in October 2016, and no further dividends have been declared or paid since then (refer to page 14 for further details). In FY2016, a fully-franked final dividend of 14.0 cents per ordinary share was paid in October 2015, and a fully-franked interim dividend of 14.0 cents per ordinary share was paid in April 2016.

Net cash flows from operations totalled \$130.4 million in FY2017, compared to \$82.3 million in the prior year. Cash flows used in investing and financing activities totalled \$94.0 million in FY2017, compared to \$111.5 million used in the prior year. The current year included \$79.5 million relating to purchases of property, plant, equipment and intangibles, compared to a total of \$98.9 million in the prior year. Net proceeds from borrowings in FY2017 were \$27.6 million, compared to \$95.6 million in the prior year.

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 pages 16 and 17, which form part of this Directors' Report, and in Note 29 to the Financial Statements.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Operational Results

Theme Parks

FY2017 was a very challenging year for Village Roadshow Theme Parks ("VRTP") and the Australian Theme Park industry as a whole. The impact of the tragedy which occurred at Dreamworld on 25 October 2016 resulted in an extremely disappointing outcome for the Theme Parks division in FY2017. The financial impact was partly offset by the usual recognition of deferred revenue in the first half of the year, however the full impact was seen in the second half, and the division delivered an FY2017 EBITDA result of \$55.9 million, compared to the FY2016 EBITDA of \$88.0 million, and operating profit (loss) before tax, excluding material items and discontinued operations ("PBT") was a loss of \$8.8 million for FY2017, compared to a profit of \$23.4 million for FY2016.

For the Gold Coast Theme Parks, despite a solid start to the VIP and Membership programs in FY2017, attendance declined substantially following the tragedy at Dreamworld, with FY2017 attendance at the Gold Coast parks down 8.6% compared to FY2016. The decline was seen primarily in the core Queensland market (which accounts for approximately half of domestic attendances). This is unsurprising given the high profile the Theme Park industry has in South East Queensland and the extensive media coverage of the tragedy, and subsequent local media coverage of routine ride stoppages. Additionally, membership renewals declined markedly following the tragedy but have since stabilised, albeit at lower levels. The combined impact on attendance and membership renewals resulted in a decline in both in-park and admissions revenue.

Sea World Resort underperformed the FY2016 result, however remains ranked at number one in its competitor set. Supporting the Gold Coast parks was a strong performance by Paradise Country, which delivered a result in line with FY2016, and Village Roadshow Studios, which delivered an all time record result as *Thor: Ragnarok* completed filming and Aquaman commenced filming in FY2017. During the first half of FY2017, a number of projects were completed, enhancing the guest experience, and a new ticket strategy was launched, introducing the reinvigorated Super (three park) and Mega (four park) Passes. Through the second half of FY2017 and into FY2018, VRTP has proactively marketed and continued a number of projects aimed at building the parks back to prior years' results. In the second half, the division launched a promotional campaign, and has been actively tackling the local market perception of risk with targeted safety videos being produced and distributed.

September 2017 will see the Southern Hemisphere's longest, fastest and highest HyperCoaster open at Warner Bros. Movie World, and other key initiatives in FY2018 include the Polar Bear Cub, an interactive Splash Zone, a new seal show, and Sea Jellies, all at Sea World. In addition, work continues to bring the first Topgolf entertainment complex to Australia at the Oxenford site in mid-2018. Topgolf is a global leader in sports entertainment and has been very successful in the USA so far. This project utilises some of the vacant land at Oxenford and diversifies VRTP's offering.

Wet'n'Wild Sydney opened its summer season in September 2016 to solid attendance on warm weather days. A number of enhanced guest experience initiatives were introduced and were well received by guests. Unfortunately, following the Dreamworld tragedy, Season Pass sales declined, and ended FY2017 down 23.1% on FY2016, with attendances down 14.9% on the prior year. Wet'n'Wild Sydney closed for the FY2017 season in April 2017 and delivered an FY2017 EBITDA of \$3.1 million, compared to the prior year EBITDA of \$9.0 million. The focus in this park in FY2018 will be on providing the best possible guest experience, refining the media approach and target market, and reducing operational costs through a streamlined calendar and targeted events.

The Gold Coast parks saw some recovery in the fourth quarter of FY2017, with attendance down 5.6% compared to the prior corresponding period, and FY2018 is off to a solid start, with some recovery in attendance and ticket sales. The Gold Coast parks had a strong pre-sales campaign, and deferred revenue taken into FY2018 is largely in line with that taken into FY2017, and it is expected that the FY2018 EBITDA result will be a substantial improvement on the FY2017 result.

It is expected that the Australian Theme Park market may take some time to recover from the tragedy that occurred at Dreamworld, however an uncompromising approach to safety is integral to the guest experience and VRTP brand. This approach is manifest in the quality of attraction selection, safety awareness programs and induction processes to ingrain VRL's safety culture in all team members. These programs are benchmarked on the highest global industry standards, such as the Ellis International Lifeguard Training Program™ adopted across the VRL group's water parks in 2015.

Wet'n'Wild Las Vegas (50.09% owned by VRL) closed for the CY2016 season in late September 2016, then re-opened for the CY2017 season on 1 April

2017. A change in the school calendar saw the park lose 10 operating days in FY2017, and a tragic drowning at the competitor waterpark in mid-June 2017 further impacted results. A focus on customer service to attract the local customer base will continue at this park.

In China and South-east Asia, VRTP is progressing two major opportunities, with customary Asian long lead times. Construction of the Mission Hills project continues and will bring China's first Wet'n'Wild branded water park to Haikou on Hainan Island. VRTP is currently providing consultation for the park's development and will operate the park following its opening, expected in the first half of CY2018. The Lai Sun project for the development of the Lionsgate Entertainment World at Novotown on Hengqin Island also continues. This is an indoor experience centre, themed around some of Lionsgate's key franchises, such as *The Hunger Games* and *Twilight*. VRTP is currently providing consultation for the experience centre's development and will also manage its operations after opening, expected in CY2019.

Cinema Exhibition

The Cinema Exhibition division delivered an FY2017 EBITDA result of \$76.6 million, compared to \$82.0 million for FY2016, with PBT in FY2017 of \$55.3 million, compared to \$62.4 million for FY2016. While the division did not reach the prior year's record result, this is a solid outcome as it only included 11 months of Singapore earnings (as this investment was held for sale from 1 June 2017), and the prior year included the strong box office results of *Star Wars: The Force Awakens*.

The Australian Cinema Exhibition business delivered an EBITDA of \$68.1 million for the twelve months to 30 June 2017 – its second highest full year EBITDA on record, compared to the FY2016 result of \$73.6 million. In addition to the underperformance of some titles in the last quarter, the reopening of a competitor site at Chadstone saw a rebalancing of market share. Screen closures for upgrades now completed at Hobart (Tasmania) and Southland (Victoria) further impacted results. EBITDA margins were slightly lower than FY2016, including as a result of tactical pricing initiatives at target sites.

FY2017 saw the very successful introduction of ▼Junior, with two screens in each of Southland (opened December 2016) and Fountain Gate (opened June 2017) in Victoria, which have both been performing strongly, driving increased average ticket price, spend per person and admissions. Combined with the successful introduction of premium bar concepts at the Jam Factory and Rivoli sites and further roll out of ▼premium (Hobart and Southland), VRL continues to enhance the going out experience and drive incremental revenue. The division will continue the targeted roll out of premium concepts, including the introduction of ▼Junior at Knox (Victoria) in the first half of FY2018.

In line with its strategy to expand into population growth corridors, the division also has a number of new sites committed, with the selective inclusion of premium offerings, including at Plenty Valley (Victoria), which is due to open in mid-2018, the new Whitford cinema (in Western Australia), which is scheduled to open in late September, and the new Palmerston cinema (Northern Territory), which is scheduled to open in early October. FY2018 has opened with positive results from a number of titles and with ▼Junior performing well. Key titles for the balance of FY2018 include *Star Wars: The Last Jedi*, an untitled Han Solo Star Wars film, *Avengers: Infinity War*, *Deadpool 2* and *Justice League*, and FY2018 Australian box office is expected to be largely in line with FY2017.

The Golden Village Cinema Circuit in Singapore, which is 50% owned by the VRL group, delivered an EBITDA of \$8.4 million (share of associate's profits) for the eleven months to 31 May 2017, noting that the asset was considered 'held for sale' from 1 June 2017, resulting in the cessation of equity accounting from that time. This was a strong result as uncertain economic conditions saw Singapore's box office industry decline 6.8% over FY17.

Despite these macroeconomic challenges, the Golden Village market share increased to 44.5% in FY2017, from 43.7% in FY2016. Average ticket price also increased, driven by premium ticket pricing on specialty content. The eight screen site under development at the SingPost Centre at Paya Lebar is expected to open in the first half of FY2018. Refer also to subsequent event disclosures on page 14 in relation to the potential sale of the VRL group's 50% stake in Golden Village.

In the United States, the VRL group has an ownership interest in iPic Theaters ("iPic"). During FY2017, iPic raised additional capital and the VRL group's ownership was diluted from 30% to 28%. iPic opened three new sites in FY2017, being Fulton Market in Manhattan, Fort Lee in New Jersey, and Dobbs Ferry in New York, and all are performing to expectations. In FY2017, VRL settled the long-running dispute relating to the Belfast cinema lease, and is now operating the cinema under a short-term rent free arrangement. No further trading losses associated with this site are expected and VRL welcomes the conclusion of this long running matter.

OPERATING AND FINANCIAL REVIEW (continued)

Operational Results (continued)

Film Distribution

The Film Distribution division ("Roadshow") delivered an FY2017 EBITDA of \$21.2 million (FY2016: \$24.5 million) after a challenging year, with PBT of \$13.8 million in FY2017, compared to \$17.4 million in FY2016. The division was negatively impacted by the underperformance of titles and the ongoing decline of the physical (DVD and Blu Ray) market. Back catalogue and TV titles in the physical market have been particularly impacted by the growth in subscription video on demand ("SVOD").

The Australian transactional digital market for content continues to grow, and the division is well positioned to take advantage of this, with multiyear supply deals with key SVOD platforms, Stan and Netflix. However, the growth in the digital market has not been sufficient to offset the decline in revenue from the DVD sector.

VRL is ensuring the division's future through a four pillar strategy:

- Core Distribution Business: Targeted film acquisitions and content partner selection, combined with an increased focus on direct engagement with customers through the division's digital marketing strategy and continuing to drive value from emerging markets – SVOD, and Digital Transactional – Stan, Netflix and Amazon as they expand into Australia. Additionally, the business will take a structured approach to reducing the cost base, delivering recurring savings of approximately \$2 million per annum in addition to savings already implemented.
- Roadshow Television – Roadshow Rough Diamond was formed in June 2016 to focus on the production of quality TV drama for domestic and international audiences and will leverage Roadshow's expertise in selling product. These productions require minimal investments from VRL. The first production *Romper Stomper* commenced production in August 2017 and a second project is underway. In 2017, Roadshow acquired 50% of unscripted TV production company, BlinkTV, headed by one of the most respected names in the industry, Paul Clarke. Paul Clarke's string of hits includes *Spicks and Specks*, *Long Way to the Top* and *Bombora: The History of Australian Surfing*. He has been the key creative executive of the successful Eurovision Song Contest since 2009, collaborating with production partner and Australia's official broadcaster of the competition, SBS. BlinkTV has a number of productions green lit for FY2018.
- Australian Film Initiatives: Roadshow Films is currently developing a portfolio of Australian feature films. These projects are at different stages of development and the intention is for them to become a key part of the future content slate.
- FilmNation: FilmNation is continuing its production strategy, with a number of titles in post-production.

Major titles for the division in FY2018 include *Justice League*, *IT*, *Tomb Raider*, *Ready Player One*, *Ocean's Eight*, as well as new releases from major TV franchises, *Game of Thrones* and *Westworld*. Roadshow's FY2018 EBITDA will depend on film performance, however the division has had a solid start to the year.

Marketing Solutions

The timing of promotional activity was biased towards the first half of the financial year and the Marketing Solutions division delivered FY2017 EBITDA of \$9.8 million, up from \$8.0 million in the prior corresponding period as the division added staff and aligned for future growth. PBT in FY2017 of \$6.0 million was slightly up on the FY2016 result of \$5.6 million. The Marketing Solutions division has continued to invest in and develop its cutting edge technical platform capabilities to deliver highly scalable and increasingly integrated promotional solutions. This will enable geographic expansion and support the growth profile of the business.

For the Australian operations, and in line with the business' strategy, the FY2017 result was primarily driven by strength in the division's Promotions and Digital offerings. Industry sectors with the strongest growth included: insurance, banking, retail and fast moving consumer goods. In July 2017, Edge Loyalty rebranded as Edge, reflecting the business' move toward a more sophisticated suite of digital platform based promotional solutions. In the early part of the first half of FY2018, Edge will launch its unique combination of digital platforms and engaging rewards into the Asian market.

For the UK-based operations, Opia's FY2017 result was impacted by Brexit, with a softening of market sentiment reducing promotional activity in the core UK market, and the devaluation of the UK Pound resulting in lower earnings reported in Australian dollars. Notwithstanding the short term negative economic influences on the business, the fundamentals of the business are strong. The business has seen stable sales in Europe, and the newly appointed teams in USA and Asia have seen good interest, with campaigns run in both regions in 4Q17.

FY2018 has started well, with a number of promotions in the market for key clients, and the first Edge promotion to be launched in the Asian region. In FY2018 the Marketing Solutions division will continue to expand its global footprint with Edge and Opia moving into Asia and Opia into the USA. The Australian business will continue the transition from local transactional payments provider to an end to end digital promotional sales agency; providing promotional platforms, reward content and risk management services to leading brands across Asia Pacific. Opia will focus on growing its existing customer base in the UK and Europe as well as extending its geographical reach. The Marketing Solutions division is expected to slightly outperform FY2017 in FY2018.

Film Production

Vine Alternative Investments ("Vine") completed a transaction in April 2017 that gave it a controlling interest in VREG with VRL ownership reduced to 20%. Vine and VRL are committed to combining the companies' depth of experience in the industry to build a successful venture. The strategic plan for the business is to enhance core competencies and drive long-term value through focussing on the portfolio of proven global sequels and franchises including *Matrix*, *Ocean's* and *Mad Max*, driving the Chinese production joint venture with Perfect World, VREG and WME-IMG, and diversifying into new business streams leveraging Vine's and VREG's deep copyright library.

In July 2017, *Ready Player One* was launched by Stephen Spielberg at the Comic-Con Festival in San Diego, and the reaction has been very positive, as it presents a vision of entertainment like nothing people have ever seen before and under the mastery of Spielberg. *Ready Player One* is firm for global release on 30 March 2018. VRL believes it will be to 2018 what *Matrix* was to the company in 1999. Other releases include *Ocean's Eight* – an extension of the successful *Ocean's 11*, *12* and *13* series plus an extension of VREG's successful partnership with Clint Eastwood in his film *The 15:17 Train to Paris*.

Other

Total net Corporate & Other costs for the 12 months ended 30 June 2017 were \$33.5 million compared to \$39.6 million for FY2016, and EBITDA for Corporate was a \$21.5 million loss, compared to a \$28.3 million EBITDA loss in the prior corresponding period.

The investment in Digital & IT Development in FY2017 was \$5.7 million, marginally up from \$5.4 million in the prior corresponding period as the business continues to focus on investing in new IT infrastructure and technology which will support improved eCommerce capabilities, improve employee productivity and expand its Digital offering. The Digital team is focussed on the development of new products which have the potential to deliver new revenue streams for VRL.

Material Items

Material items loss after tax of \$90.3 million in FY2017 comprised the following:

- Equity-accounted losses on net investments of \$25.8 million, being the previously announced losses of \$6.6 million in relation to the VREG subordinated loan of USD 5 million, and \$19.2 million in relation to iPic contributions of USD 14.3 million;
- Restructuring costs totalling \$4.7 million across the VRL group;
- Impairment of assets and other non-cash adjustments totalling \$72.3 million, including the previously announced impairment of assets at Wet'n'Wild Sydney of \$55.0 million, impairment of assets at the Gold Coast Theme Parks of \$4.8 million, and write-downs of \$12.4 million in relation to Film Distribution Royalties;
- Gain on reversal of the onerous lease provision relating to Belfast of \$7.5 million; and
- Dividend received from Singapore asset held for sale of \$5.0 million.

Financial Position

During the year ended 30 June 2017, total assets of the consolidated entity decreased by \$94.3 million, including a decrease in property, plant and equipment of \$71.0 million, which included impairment amounts of \$66.6 million, and total liabilities decreased by \$14.1 million. Also during FY2017, total equity of the consolidated entity decreased by \$80.2 million to \$400.1 million, which was mainly attributable to a decrease in retained earnings of \$89.3 million (resulting from attributable net loss for the year of \$66.7 million and dividends declared during the year of \$22.6 million).

The VRL group's net debt as at 30 June 2017 was \$527.1 million, giving a gearing ratio of 57%, compared to the prior year's gearing ratio of 53%. Of the total debt of \$627.5 million, \$1.1 million is classified as current liabilities, and \$626.4 million is classified as non-current liabilities, which has been determined in accordance with the requirements of the VRL group's relevant finance agreements.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Financial Position (continued)

Investment in opportunities for future growth combined with the unforeseen decline in earnings has resulted in Net Debt/EBITDA of 3.87x at 30 June 2017. VRL remains in compliance with its debt covenants. The Board has been actively working towards reducing gearing significantly. This includes potential asset sales, including the sale of the VRL group's 50% stake in the Singapore Cinema Exhibition business, which is well advanced, and the potential sale and long-term leaseback of the VRL group's freehold land at the Oxenford, Queensland site.

The VRL group will remain focussed on cost control and judicious capex spending, with FY2018 capital expenditure expected to be largely in line with the prior year excluding the investment in Topgolf.

VRL's Board is committed to shareholder returns, while maintaining the ability to invest in the business. Given the current leverage and substantial growth opportunities available, the Board has not declared an interim or final FY2017 dividend. This is a cautious short-term measure under the current conditions, and the Directors intend to reinstate the dividend as soon as it is deemed prudent.

Events Subsequent to Reporting Date

There have been no material transactions which significantly affect the financial or operational position of the consolidated entity since the end of the financial year, however it is noted that there are potential asset sales in progress, including the sale of the VRL group's 50% stake in the Singapore Cinema Exhibition business, which is well advanced, and the potential sale and long-term leaseback of the VRL group's freehold land at the Oxenford, Queensland site.

Environmental Regulation and Performance

The VRL group was subject to the *National Greenhouse and Energy Reporting Act* for the year ended 30 June 2017, 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, including adapting to changing consumer preferences;
- 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 and events at existing locations and development of new locations for the Theme Parks division, and ongoing business development for the Marketing Solutions division;
- Ongoing expansion in relation to the Group's involvement in theme parks in China and South east Asia;
- Ongoing review of potential further investments across the VRL group's various divisions, subject to acceptable financial returns;
- 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 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 – legislative changes in Australia are in the process of being enabled, which should also assist in this respect;
- 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;

- Film production volatility – film production is an inherently volatile business. This risk is partly mitigated by VREG adopting a portfolio approach, however the Film Distribution division may also be impacted;
- 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 promotions and memberships seek to partially address this risk by allowing tickets to be utilised when better weather returns;
- 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. As demonstrated following the recent tragedy at Dreamworld, the VRL group can still be impacted by issues at non-VRL group attractions; and
- Development and subsequent operation – 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, and the subsequent operational performance of the new developments. 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 significant, and the expertise and experience of the Group in delivering and operating such projects mitigates 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 return to producing solid operating profits in future years. Following the potential asset sales in progress or under consideration, it is expected that the Group will return to an appropriate net debt position, and will also return to having reliable cash-flows from its existing businesses.

If this occurs, the Group may be able to take advantage of potential future profitable development opportunities when they arise, which may include opportunities in Australia and elsewhere, with a focus on Asia. Specific future prospects for each division have been included in the Operational Results section above.

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. Following the asset sales which are in progress or under consideration, the Company remains 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 to the Financial Statements. Details of share, option and "in-substance option" transactions in relation to Directors and other Key Management Personnel of the consolidated entity are set out in the Remuneration Report.

INDEMNIFYING AND INSURANCE OF OFFICERS AND AUDITORS

Since the commencement of the financial year, the Company has not indemnified any person who is or has been an officer or auditor of the Company or related body corporate 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 19 to 29.

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 and Nomination	Formal	Audit & Risk	Remuneration	Corporate Governance and Nomination
Robert G. Kirby	6	-	-	-	6	-	-	-
Graham W. Burke	6	-	-	-	6	-	-	-
John R. Kirby	6	-	-	-	6	-	-	-
David J. Evans	6	-	3	3	6	-	3	3
Jennifer Fox Gambrell	6	4	3	-	5	4	3	-
Robert Le Tet	6	4	-	3	6	4	-	3
Timothy M. Antonie	6	4	3	3	6	4	3	3
Julie E. Raffae (alternate)	-	-	-	-	-	-	-	-

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 to the Financial Statements.

AUDITOR INDEPENDENCE

The Auditor's Independence Declaration to the Directors of the Company, which forms part of this Directors' Report, is set out on page 18.

NON-AUDIT SERVICES PROVIDED BY AUDITOR

Details of the non-audit services provided by the auditor are set out in Note 26 to the Financial Statements. 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 Corporations Instrument 2016/191. The Company is an entity to which the Instrument applies.

Signed in accordance with a resolution of the Directors at Melbourne this 22nd day of September 2017.



G.W. Burke
Director

RECONCILIATION OF RESULTS

for the year ended 30 June 2017

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		MARKETING SOLUTIONS		OTHER		TOTAL	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(i) Reconciliation of results:												
Continuing Operations:												
Earnings before Interest, Tax, Depreciation and Amortisation, excluding material items of income and expense ("EBITDA")	55,879	87,952	76,629	81,983	21,215	24,492	9,846	7,998	(27,283)	(33,672)	136,286	168,753
Depreciation and amortisation	(50,667)	(49,741)	(16,807)	(15,694)	(3,564)	(3,524)	(1,385)	(983)	(1,007)	(1,666)	(73,430)	(71,608)
Finance costs before finance restructuring costs	(14,070)	(14,905)	(4,696)	(4,183)	(4,399)	(4,381)	(2,487)	(1,959)	(6,063)	(4,983)	(31,715)	(30,411)
Interest income	72	134	161	342	564	781	1	588	853	727	1,651	2,572
Operating profit (loss) before tax and material items of income and expense ("PBT")	(8,786)	23,440	55,287	62,448	13,816	17,368	5,975	5,644	(33,500)	(39,594)	32,792	69,306
Income tax (expense) benefit, excluding material items	2,067	(7,124)	(14,819)	(15,859)	(3,777)	(5,399)	(2,052)	(1,155)	10,491	11,995	(8,090)	(17,542)
Operating profit (loss) after tax, before material items of income and expense	(6,719)	16,316	40,468	46,589	10,039	11,969	3,923	4,489	(23,009)	(27,599)	24,702	51,764
Non-controlling interest, excluding material items	(317)	(289)	-	-	-	-	(779)	(610)	-	-	(1,096)	(899)
Attributable operating profit (loss) after tax, before material items of income and expense ("NPAT")	(7,036)	16,027	40,468	46,589	10,039	11,969	3,144	3,879	(23,009)	(27,599)	23,606	50,865
Material items of income and expense before tax	(75,630)	(2,034)	(7,260)	(3,824)	(18,521)	(2,445)	(141)	(775)	(7,213)	(21,538)	(108,765)	(37,816)
Income tax benefit (expense) - material items	12,557	610	142	182	5,556	(616)	41	2,010	145	428	18,441	2,614
Material items of income and expense after tax	(63,073)	(1,424)	(7,118)	(3,642)	(12,965)	(3,061)	(100)	(5,965)	(7,068)	(21,110)	(90,324)	(35,202)
Material items - Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Material items - Loss after tax & non-controlling interest	(63,073)	(1,424)	(7,118)	(3,642)	(12,965)	(3,061)	(100)	(5,965)	(7,068)	(21,110)	(90,324)	(35,202)
Total (loss) profit before tax from continuing operations	(84,416)	21,406	48,027	58,624	(4,705)	14,923	5,834	(2,331)	(40,713)	(61,132)	(75,973)	31,490
Total income tax benefit (expense) from continuing operations	14,624	(6,514)	(14,677)	(15,677)	1,779	(6,015)	(2,011)	855	10,636	12,423	10,351	(14,928)
Total non-controlling interest	(317)	(289)	-	-	-	-	(779)	(610)	-	-	(1,096)	(899)
Total attributable (loss) profit after tax from continuing operations per the statement of comprehensive income	(70,109)	14,603	33,350	42,947	(2,926)	8,908	3,044	(2,086)	(30,077)	(48,709)	(66,718)	15,663
Discontinued Operations:												
Attributable profit after tax from discontinued operations												
Net (loss) profit attributable to the members of Village Roadshow Limited												

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		MARKETING SOLUTIONS		OTHER		TOTAL	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(ii) Material items of income and expense from continuing operations:												
Equity accounted losses on net investments	-	-	(19,196)	(2,451)	-	-	-	-	(6,628)	(20,046)	(25,824)	(22,497)
Dividend received from asset held for sale	-	-	5,038	-	-	-	-	-	-	-	5,038	-
Impairment and other non-cash adjustments	(71,000)	-	(128)	(456)	(17,683)	(6,209)	(467)	(88,811)	-	(467)	(88,811)	(7,132)
Restructuring costs	(4,630)	(2,034)	(474)	(917)	(838)	(1,766)	(585)	(6,668)	(585)	(1,025)	(6,668)	(8,187)
Reversal of onerous lease provision	-	-	7,500	-	-	-	-	7,500	-	-	7,500	-
Total loss from material items of income and expense before tax	(75,630)	(2,034)	(7,260)	(3,824)	(18,521)	(7,975)	(7,213)	(108,765)	(7,213)	(21,538)	(108,765)	(37,816)
Income tax benefit (expense)	12,557	610	142	182	5,556	(616)	145	18,441	145	428	18,441	2,614
Total non-controlling interest – material items	-	-	-	-	-	-	-	-	-	-	-	-
Total attributable loss from material items of income and expense after tax	(63,073)	(1,424)	(7,118)	(3,642)	(12,965)	(3,061)	(7,068)	(90,324)	(7,068)	(21,110)	(90,324)	(35,202)
(iii) (Loss)/Earnings Per Share:												
Basic EPS									(41.3c)		(41.3c)	9.8c
Diluted EPS									(41.3c)		(41.3c)	9.7c
(iv) Earnings Per Share adjusted to eliminate discontinued operations and material items of income and expense from the calculations:												
Basic EPS									14.6c		14.6c	31.7c
Diluted EPS									14.6c		14.6c	31.4c

Note:

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

AUDITOR'S INDEPENDENCE DECLARATION



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

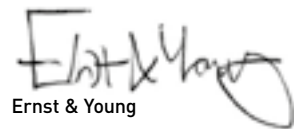
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of Village Roadshow Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Village Roadshow Limited and the entities it controlled during the financial year.



Ernst & Young



David Shewring
Partner
22 September 2017

REMUNERATION REPORT

STRUCTURE OF THIS REPORT

Village Roadshow Limited ("the Company" or "VRL") is committed to the transparency of its remuneration arrangements. The Remuneration Report ("Report") for the year ended 30 June 2017 ("FY2017") continues the previous year's updated structure to improve the clarity of information and to explain the Company's executive remuneration. The information in this Report has been audited as required by Section 308(3C) of the *Corporations Act 2001* ("the Act") and forms part of the Directors' Report in accordance with Section 300A of the Act. The Report is organised as follows:

1. Scope of the Remuneration Report	
2. Remuneration strategy and governance	(a) Remuneration framework summary (b) Remuneration governance
3. Remuneration framework	(a) Fixed compensation (b) Short-term incentives (c) Long-term incentives
4. Remuneration outcomes and corporate performance	(a) Performance against financial metrics (b) Performance against non-financial metrics (c) Remuneration of Key Management Personnel (d) Five year company performance
5. Employment contracts	(a) Executive Directors (b) Executive Committee
6. KMP transactions and holdings	(a) Ordinary shares held by KMP (b) 'In substance options' held by KMP (c) Options over ordinary shares held by KMP
7. Non-executive director remuneration	(a) Remuneration summary (b) Directors' Share Plan
8. Other transactions with KMP	

1. SCOPE OF THE REMUNERATION REPORT

This Report details the remuneration arrangements for directors and senior executives of VRL. These key management personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Company and its controlled entities ("the Group", "VRL group" or "consolidated entity"). The names, positions, and terms of KMP active during FY2017 are as follows:

Name	Current Title/Position	Started as KMP	Cessation	Current Category
Robert G. Kirby	Co-Executive Chairman and Co-CEO	5 July 2001	-	Executive Director
Graham W. Burke	Co-Executive Chairman and Co-CEO	9 September 1988	-	Executive Director
Clark J. Kirby	Chief Operating Officer	1 December 2010	-	Executive Committee Member
Julie E. Raffae	Finance Director	28 September 1992	-	Executive Committee Member
Simon T. Phillipson	General Counsel	13 May 1996	-	Executive Committee Member
Alistair Bennallack	Chief Financial Officer	26 October 2015	-	Executive Committee Member
John R. Kirby	Deputy Chairman	12 August 1988	-	Non-Executive Director
David J. Evans	Lead Independent Director	2 January 2007	-	Non-Executive Director
Robert Le Tet	Independent Director	2 April 2007	-	Non-Executive Director
Timothy M. Antonie	Independent Director	1 December 2010	-	Non-Executive Director
Jennifer Fox Gambrell	Independent Director	19 November 2015	-	Non-Executive Director

2. REMUNERATION STRATEGY AND GOVERNANCE

(a) Remuneration framework summary

The Board is committed to transparent and constructive relationships with shareholders, and regularly reviews remuneration arrangements, to ensure they meet the needs of the business and shareholder expectations. The Group's remuneration strategy is to provide a locally and internationally competitive offer, with a significant 'at-risk' component to motivate short and long-term performance in line with its business strategy.

The Company's businesses are global, competitive, complex and fast-moving, with ongoing changes in consumer behaviour and technology creating new challenges for operators. The Board is conscious of the need to attract and retain talented senior executives in a global marketplace where industry experience and networks are critical to success. As a result, VRL benchmarks its senior executive roles against both international and local comparators. There are few directly comparable businesses operating in the Australian market, particularly in relation to the breadth of the operations on a geographic and business scope basis. The challenges, and the opportunities, that this mix of characteristics brings results in the need for remuneration generally being higher than local senior executive roles for businesses of comparable size.

VRL's two Executive Directors, Mr. Robert Kirby and Mr. Graham Burke, are both Co-Executive Chairman and Co-Chief Executive Officer ("CEO") of VRL. These titles recognise that both Mr. Kirby and Mr. Burke work closely together as a highly effective team as the two most senior executive officers in the Group. Mr. Kirby and Mr. Burke effectively share both positional functions between them and the joint titles facilitate Mr. Kirby's and Mr. Burke's international activities when establishing and maintaining strong business relationships with the most senior executives in leading media and entertainment companies across the United States, Asia and Europe. In different regions, CEO and Chairman titles carry different perceptions, and having both provides greater benefit to those relationships. Both men primarily concentrate their various efforts in different parts of the Company's businesses in Australia and around the world.

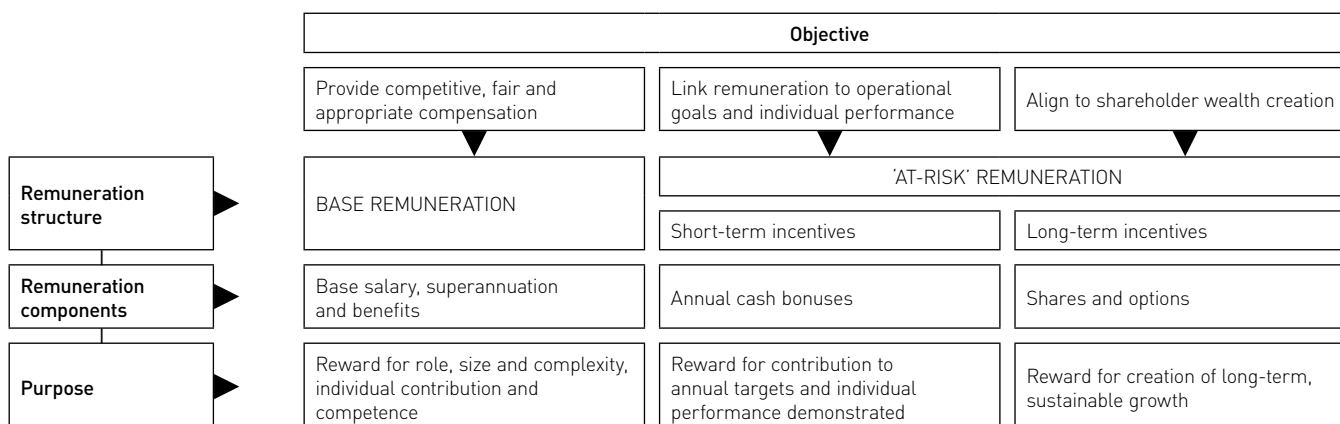
The Company's remuneration strategy is also designed to motivate executives to deliver shareholder value in the short and long-term. The 'at-risk' component of executive remuneration in FY2017 is payable based on performance against a mix of corporate and individual measures. Executives also hold substantial interests in the Company in the form of shares and options, further aligning their interests to those of the shareholders, and are prohibited from hedging those interests while in office.

REMUNERATION REPORT (continued)

2. REMUNERATION STRATEGY AND GOVERNANCE (continued)

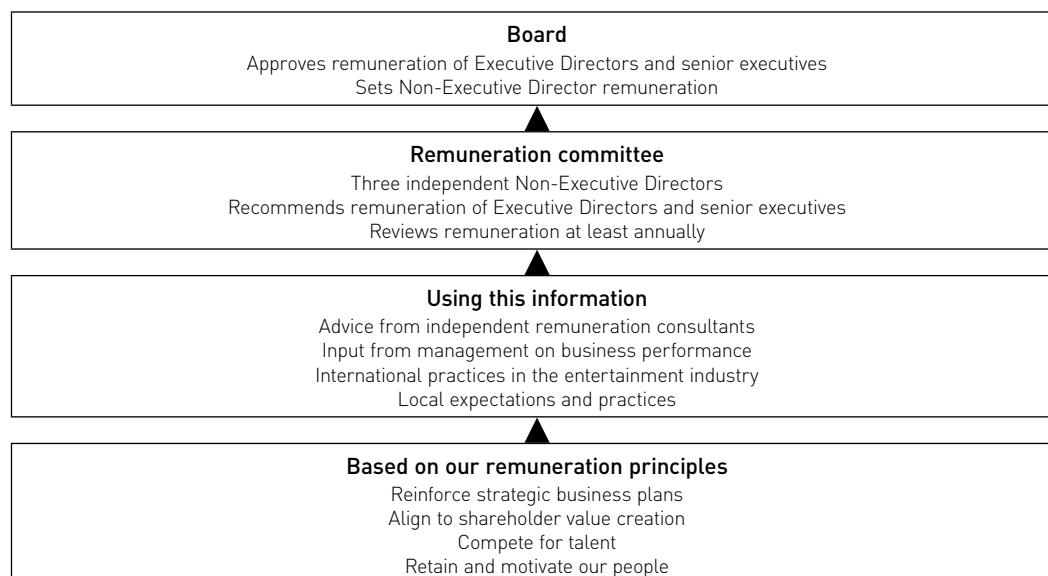
(a) Remuneration framework summary (continued)

The Group's executive remuneration framework is as shown in the table below. The overall Group remuneration objective is to reinforce the short, medium and long-term financial targets and business strategies of the Group and provide a common interest between executives and shareholders by aligning the rewards that accrue to executives with the creation of value for shareholders.



(b) Remuneration governance

A summary of the Group's remuneration governance is set out below. The charter, role, responsibilities, operation and membership of the Remuneration Committee of the Board are set out in the Company's Corporate Governance Statement which is available on the Company's website at www.villageroadshow.com.au.



3. REMUNERATION FRAMEWORK

The Company's remuneration framework for FY2017 is set out below and has three components: fixed compensation, short-term incentives ("STI") and long-term incentives ("LTI").

(a) Fixed compensation

Objective	Provide a level of fixed compensation which is fair, reasonable and appropriate to attract and retain executives having regard to the seniority of the position, and the competitiveness of the market (both locally and globally where appropriate).
Composition	Cash, superannuation, insurance, car allowance or lease and other fringe benefits.
Benchmarks	Reviewed annually by the Remuneration Committee based on the scale and complexity of the role, benchmarked against comparable roles in the international and local market. Fixed compensation is set taking into account the levels of STI and LTI opportunities.

The Group provides benefits such as Company-maintained vehicles, vehicle leases or car allowances as part of fixed remuneration. Superannuation or retirement benefit amounts within statutory limits are also paid, including various ancillary insurance covers. 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 25 and 26 of this Report.

(b) Short-term incentives

Objective	Link executive remuneration to the achievement of annual operational targets for all executives, and to individual targets for Executive Committee members. Levels are set by balancing the incentive offered with the cost to the Group, and to ensure that a large proportion of an executive's remuneration is 'at-risk', with the proportion 'at-risk' increasing with the seniority of the executive.
Eligibility	All executives and senior managers, including non-KMP senior managers.

3. REMUNERATION FRAMEWORK (continued)

(b) Short-term incentives (continued)

Opportunity	Executive Directors – 100% of base remuneration (being salary, superannuation and car allowance) Executive Committee Members – 100% of base salary		
Performance measures	Measure	Calculation	% component
	Cash flow return on investment ("CFROI")	Earnings before interest, tax, depreciation and amortisation ("EBITDA"), excluding material items of income and expense and discontinued operations, as a percentage of capital employed, represented by total shareholders' equity plus net debt.	20% for Executive Directors 16.7% for Executive Committee Members
	Attributable net profit/loss after tax ("Attributable NPAT")	Based on reported results including material items.	45% for Executive Directors 33.3% for Executive Committee Members
	Strategic Initiatives	Initiatives around capital investment and management and revenue growth initiatives.	35% for Executive Directors
	Individual key performance indicators ("KPIs")	Personalised KPIs relating to the role, position and responsibilities of the individual executive for the performance period, as set by the Executive Directors and approved by the Board. These KPIs include corporate governance, capital management, risk management and earnings growth goals. Individual KPIs have not been listed due to commercial sensitivity.	50% for Executive Committee Members
Performance schedule	Measure	Schedule	
	CFROI	Calculated 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%.	
	Attributable NPAT	50% payable on the Company achieving 92.5% of the budgeted NPAT; further 50% payable pro-rata on a sliding scale from 92.5% up to achievement of 100% of budgeted NPAT. These levels of NPAT are considered appropriate because the Board sets budgets with positive underlying assumptions. This is illustrated by the fact that no bonus has been payable for this STI component in the past three financial years.	
	Strategic Initiatives	At discretion of the Board based on appropriate initiatives around capital investment and management and achievement of revenue growth initiatives.	
	Individual KPIs	Performance of Executive Committee Members against individual KPIs is assessed by the Executive Directors and a recommendation for bonus payment is made to the Remuneration Committee for review and approval.	
Clawback	There is a Clawback policy in respect of incentives provided to executives within the Group in the event that there is an amendment to previously reported results.		
Accrual	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 KPI performance criteria for Executive Committee members, are calculated after balance date and are paid in the following October.		
Review	Proposed bonus payments to Executive Committee members are reviewed and approved by the Remuneration Committee.		
Compensation for deferred grant date	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 2012 ESP allotment to other Executive Committee Members, granted at \$3.14, to 29 November 2012 to allow for shareholder approval at the Company's 2012 annual general meeting, following which the ESP shares 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 is accrued for over the 5 years from date of grant, being \$27,745 for the 2017 financial year (2016: \$54,090).		

(c) Long-term incentives

(i) Executive Share Plan ("ESP")

Objective	Retention of key executive talent and alignment with interests of shareholders, which encourages a sense of ownership by the holders. Shares are allotted annually from individual STI bonus amounts earned as a proportion of remuneration based on seniority, personal and company performance factors.
Eligibility	All Executive Committee Members (other than Directors) and other non-KMP senior managers.
Instrument	The Remuneration Committee issues restricted shares for purchase by Executives using a limited recourse loan. The shares are held directly by the Executive who pays for the allotment by obtaining a loan from the consolidated entity which holds security over the shares. Under the terms of that loan, the holder is restricted from selling or otherwise dealing with the shares while they are restricted. Any value accruing to the recipient is derived from improvement in the Company's share price and dividends and distributions by the Company.

REMUNERATION REPORT (continued)

3. REMUNERATION FRAMEWORK (continued)

(c) Long-term incentives (continued)

(i) Executive Share Plan ("ESP") (continued)

Grant value	<p>On 16 September 2016 an allotment of 70,000 shares was made to Mr. A.W. Bennallack at \$4.72 per share under the Company's Executive Share Plan. The fair value of each 'in substance' option estimated at the date of grant was \$0.60, \$0.62 and \$0.64 for tranches 1, 2 and 3 respectively.</p> <p>An allotment under the Executive Share Plan of 37,500, 36,500 and 45,000 shares was made on 2 December 2016 to Messrs. C.J. Kirby, S.T. Phillipson and Ms. J.E. Raffe respectively at \$4.44 per share. The fair value of each 'in substance' option estimated at the date of issue was \$0.47, \$0.54 and \$0.58 for tranches 1, 2 and 3 respectively.</p> <p>There were no long-term incentive plan allocations during the year ended 30 June 2016 to any Executive Committee Member.</p> <p>For details of current grants to Executive Committee Members, see 'In Substance Options' on page 28 of this Report. The notional adjusted equity value of ESP allotments and the percentage of each Executive Committee Member's total remuneration under the LTI are detailed on pages 25 and 26 of this Report.</p>
Grant price	<p>Shares are issued at the 5-day weighted average price on the market prior to allotment, rounded up to the next whole cent. The loans issued prior to 1 July 2016 bear 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. 50% of the remaining dividend per share is used to repay the capital amount of the loan. If the loan balance owing falls below \$2.00 per share, the interest rate becomes 10% of the balance owing on the loan.</p> <p>All loans issued post 1 July 2016 bear interest at twenty five cents per share per annum. The first twenty five cents of dividends per share per interest 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. If the loan balance owing falls below \$2.50 per share, the interest rate becomes 10% of the balance owing on the loan.</p>
Vesting schedule	<p>For allotments made prior to 1 July 2016, one third of the grant is earned and becomes exercisable at the end of years 3, 4 and 5 from the date of issue. For allotments made after 1 July 2016, on the third anniversary of the date of issue and each of the following two anniversaries, up to one third of the shares will become exercisable providing pre-determined Total Shareholder Return ("TSR") hurdles are satisfied.</p>
Performance hurdles	<p>There are no specific performance conditions for the removal of restrictions over shares granted under the ESP prior to 1 July 2016.</p> <p>Allotments granted after 1 July 2016 are subject to TSR hurdles on the third, fourth and fifth anniversary of the share issue. The hurdle compares the Company's TSR against the TSR for an ASX Comparison Group for the equivalent period. If the Company's TSR equals or exceeds the 50% median ASX Comparison Group, then 50% of the relevant tranche will become exercisable. If the TSR equals or exceeds the 75% median of the Comparison Group then 100% of the tranche will become exercisable. If the Company's TSR falls between those two levels, a pro rata proportion will become free of restrictions. If the TSR is below the 50% median of the Comparison group, that tranche will not vest.</p>
Termination/forfeiture	<p>If the Executive Committee member 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. If the market value of the remaining shares at the end of the six month period is less than the amount owing on the loan, the Company buys back the shares and cancels them in repayment of the loan without further recourse to the former Executive Committee member.</p> <p>There are no provisions for the automatic removal of holding restrictions on the relevant shares in the event of a change of control of the Company.</p>
Hedging	<p>Consistent with the <i>Corporations Act 2001</i>, Executive Committee participants are prohibited from hedging their unvested ESP shares.</p>
Dilution	<p>The ESP allows for the issue of up to 5% of the Company's issued shares to Executives and employees of the consolidated entity and significant associated entities.</p>
Valuation	<p>The fair value of these 'in substance option' grants 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 for remuneration purposes other than the amortised fair value measurement in accordance with the provisions of AASB 2: <i>Share-based Payment</i>. From 1 January 2005, options or 'in substance options' granted 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.</p> <p>The Company has used the fair value measurement provisions of AASB 2: <i>Share-based Payment</i> for all options or equity instruments granted after 7 November 2002 which had not vested as at 1 January 2005. Under AASB 2: <i>Share-based Payment</i> 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.</p>

(ii) CEO Option Plan

Objective	<p>Retention of key executive talent and alignment of interests with shareholders. In October 2012, the employment contract of Mr. Graham Burke was extended to December 2017 and included a replacement option plan for the previously expired option plan.</p>
Eligibility	<p>Mr. Graham Burke</p>
Instrument	<p>Options over ordinary shares. The options are not transferable and do not confer any right to participate in bonus issues or cash issues of ordinary shares. They do not carry voting or dividend rights and are not listed for quotation on ASX. All options must be exercised by 1 March 2019.</p>
Grant value	<p>4.5 million options were issued on 29 November 2012. 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 Mr. Burke's total remuneration are detailed on pages 25 and 26 of this Report.</p>

3. REMUNERATION FRAMEWORK (continued)

(c) Long-term incentives (continued)

(ii) CEO Option Plan (continued)

Grant price	<p>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.</p> <p>The options were initially exercisable at \$3.76 per share. Following the \$0.25 per share reduction of share capital approved by shareholders at the Annual General Meeting on 29 November 2013, the exercise price of the options was reduced to \$3.51 per share, effective from 31 December 2013.</p>																				
Performance period	Performance is measured over a three year period prior to each vesting date.																				
Performance hurdles	<p>Vesting is subject to two hurdles based on earnings per share and dividends per share.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Measure</th> <th style="text-align: left;">Calculation</th> <th style="text-align: left;">% component</th> </tr> </thead> <tbody> <tr> <td>Compound annual growth rate ("CAGR") in earnings per share ("EPS")</td> <td>Diluted earnings per share before material items and discontinued operations for the year ended 30 June 2012, being 34.4c per ordinary share</td> <td>50%</td> </tr> <tr> <td>CAGR in dividends per share ("DPS")</td> <td>Actual dividends paid in the 2012 calendar year, being 22 cents per ordinary share inclusive of franking credits</td> <td>50%</td> </tr> </tbody> </table>	Measure	Calculation	% component	Compound annual growth rate ("CAGR") in earnings per share ("EPS")	Diluted earnings per share before material items and discontinued operations for the year ended 30 June 2012, being 34.4c per ordinary share	50%	CAGR in dividends per share ("DPS")	Actual dividends paid in the 2012 calendar year, being 22 cents per ordinary share inclusive of franking credits	50%											
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Compound annual growth rate ("CAGR") in earnings per share ("EPS")	Diluted earnings per share before material items and discontinued operations for the year ended 30 June 2012, being 34.4c per ordinary share	50%																			
CAGR in dividends per share ("DPS")	Actual dividends paid in the 2012 calendar year, being 22 cents per ordinary share inclusive of franking credits	50%																			
Vesting schedule	<p>The options become exercisable in tranches of one third (1.5 million options) on the 1st of March 2016, 2017 and 2018.</p> <p>Half of the tranche is subject to the Company achieving certain growth CAGR in EPS over the three year vesting period. If 8% CAGR is achieved over the period, all of that component vests. If between 4% and 8% CAGR is achieved, a pro-rata straight line vesting scale is applied.</p> <p>The other half of the tranche is subject to growth in DPS. The Company must achieve 8% CAGR in DPS over two out of the four year vesting period for the full amount of that component to vest. If between 4% and 8% growth is achieved, a pro-rata straight line vesting scale is applied.</p> <p>The effect of the performance hurdles on the potential vesting of the options can be illustrated as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Options to vest if:</th> <th colspan="4" style="text-align: center;">Compound Annual Growth Rate ("CAGR")</th> </tr> <tr> <th></th> <th style="text-align: center;">< 4%</th> <th style="text-align: center;">4%</th> <th style="text-align: center;">4% – 8%</th> <th style="text-align: center;">= or > 8%</th> </tr> </thead> <tbody> <tr> <td>EPS CAGR hurdle achieved</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">375,000</td> <td style="text-align: center;">Sliding Scale *</td> <td style="text-align: center;">750,000</td> </tr> <tr> <td>Dividend CAGR hurdle achieved #</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">375,000</td> <td style="text-align: center;">Sliding Scale *</td> <td style="text-align: center;">750,000</td> </tr> </tbody> </table> <p># Subject to '2 out of 4 years' test * A pro rata straight line vesting scale applies.</p>	Options to vest if:	Compound Annual Growth Rate ("CAGR")					< 4%	4%	4% – 8%	= or > 8%	EPS CAGR hurdle achieved	Nil	375,000	Sliding Scale *	750,000	Dividend CAGR hurdle achieved #	Nil	375,000	Sliding Scale *	750,000
Options to vest if:	Compound Annual Growth Rate ("CAGR")																				
	< 4%	4%	4% – 8%	= or > 8%																	
EPS CAGR hurdle achieved	Nil	375,000	Sliding Scale *	750,000																	
Dividend CAGR hurdle achieved #	Nil	375,000	Sliding Scale *	750,000																	
Termination/forfeiture	<p>If Mr. Burke's contract is terminated 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, 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. This is considered appropriate to allow orderly succession planning and to recognise that the benefit from activities during the contract accrue in the following 12 months, which also matches the non-compete period. 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.</p> <p>There are no provisions for the automatic removal of holding restrictions on the relevant shares in the event of a change of control of the Company.</p>																				
Hedging	Consistent with the <i>Corporations Act 2001</i> and under the terms of the Option Plan, Mr Burke is prohibited from hedging his unvested options.																				

Other than the CEO Option Plan outlined above, the Executive Directors do not have any other LTI's, however as noted on page 11 of the Directors' Report, given the Executive Directors' shareholdings, their long-term interests are aligned with other shareholders.

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE

The Company's growth strategy continues to be one of targeted growth within its portfolio of unique assets, however FY2017 saw trading significantly impacted at the Company's largest division (Theme Parks) following the October 2016 tragedy at the competitor's Dreamworld park, and soft trading in the Film Distribution division from underperforming film titles and film piracy. The Company's Cinema Exhibition and Marketing Solutions divisions performed well but were insufficient to offset these unexpected headwinds which are reflected in the Company's financial results for the year.

These results and achievements are reflected in executive remuneration outcomes, as outlined below.

(a) Performance against financial metrics

EBITDA, excluding material items of income and expense and discontinued operations	\$136.3 million
Cash flow return on investment ("CFROI")	14.03%
Attributable net loss after tax, including material items and discontinued operations ("Attributable NPAT")	\$66.7 million
Earnings per share, excluding material items and discontinued operations	14.6 cents

REMUNERATION REPORT (continued)

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(b) Performance against non-financial metrics

Non-financial metrics of executive performance cover the achievement of specific operational objectives for the period. These metrics are focussed on objectives that drive sustainability and position the Company to achieve future shareholder value.

In FY2017, the following key objectives were achieved:

- Progressed the development of the Topgolf entertainment concept in Australia and commenced the construction of the first site at Oxenford in Queensland;
- Signed a management agreement in China to operate a second theme park at Novotown on Hengqin Island;
- Commissioned the building of the HyperCoaster at Warner Bros. Movie World;
- Commenced asset rationalisation programme to reduce net debt; and
- Progressed the development of alternative television product for Roadshow Films.

Executive remuneration during FY2017 reflected these results, as outlined below.

(i) Short-term incentives

Short-term incentive components	% 'at-risk' for Executive Directors	% 'at-risk' for Executive Committee Members	Earned/Awarded
CFROI	20%	16.7%	Earned, but declined
Attributable NPAT	45%	33.3%	Not earned
Strategic Initiatives	35%	n/a	Declined
Individual performance	n/a	50%	Declined

The component of short-term incentives relating to Attributable NPAT was nil as the hurdle was not met, and the component relating to CFROI was calculated at 70.2% of target (2016: 86.8%), however the KMP declined to accept the CFROI bonus entitlements, which totalled \$766,438 in relation to FY2017. In addition, the KMP have declined to accept bonuses relating to their personal KPIs (for strategic initiatives and individual performance) for FY2017, which would have been determined subsequent to 30 June 2017. These personal KPI bonus components would have been up to a total of \$2.4 million. For more detail on the Group's short-term incentive plan, refer to page 20.

(ii) Long-term incentives ("LTI")

Executive Share Plan

Executive Committee members (other than Directors) can participate in the Executive Share Plan ("ESP"), together with non-KMP senior executives from across the Group. ESP shares are provided using limited-recourse loans, and prior to FY2017, were granted periodically. The ESP shares are initially restricted and held as security for the ESP loan. The ESP shares issued prior to 1 July 2016, vest in one-third tranches at the end of years 3, 4 and 5, and can then be sold (subject to loan repayment). Effective from 1 July 2016, ESP share allocations to executives are done on an annual basis, and are calculated on a formula based on the relevant STI bonus entitlement paid. There will be no ESP allocations to KMP in relation to FY2017, as there will be no STI bonus amounts paid.

These ESP shares are initially restricted, and will only vest subject to satisfying TSR hurdles. The TSR hurdles are set out earlier in this Report. The ESP is constructed in such a way that executives receive benefits from an increase in the Company's share price. They also receive any dividend payments left over after payment of interest charged on the limited-recourse loan, until the loan is repaid. For more detail on the ESP, refer to page 21. The value of the shares held by senior executives under the ESP was reduced in FY2017 by the decline in the Company's share price.

CEO option plan

The CEO option plan consists of 4.5 million options granted to Mr. Graham Burke in 2012 and vesting occurs in three tranches on the 1st of March of 2016, 2017 and 2018. Vesting is subject to performance hurdles based on the Compound Annual Growth Rate of both earnings per share and dividends. For more details on the Option Plan refer page 22. 50% of the tranche due to vest on 1 March 2017 vested because the Dividend per Share ("DPS") hurdle was met, and 50% did not vest because the EPS hurdle was not met. In the year ended 30 June 2016 ("FY2016"), 50% of tranche 1 vested because the DPS hurdle was met, and 50% did not vest because the EPS hurdle was not met.

(c) Remuneration of Key Management Personnel

The following tables show the total remuneration for all KMP for FY2017 and FY2016 (including FY2016 remuneration details for individuals who are no longer KMP but were included in the FY2016 Remuneration Report) calculated in accordance with Australian Accounting Standards.

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(c) Remuneration of Key Management Personnel (continued)

Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2017

NAME	POSITION <small>(positions do not necessarily co-incide with employment dates)</small>	YEAR	NOTE	SHORT TERM BENEFITS				POST EMPLOYMENT		LONG TERM BENEFITS		TERMINATION PAYMENT	L.T.I. SHARE-BASED PAYMENT	TOTAL % PERFORMANCE RELATED PAY	
				Salary & Fees	Cash Bonus S.T.I.	Non-monetary Benefits	Other	Super-annuation	Retirement Benefits	Incentive Plans	Leave Accruals ⁶				
Directors															
Robert G. Kirby	Co-Executive Chairman & Co-CEO KMP since 01/07/2000	2017	4, 5	1,693,289 106.76	(7)	85,045 5.36	732 0.05	25,000 1.58	-	-	(218,081) (13.75)	-	1,585,978 100.00	-	
Graham W. Burke	Co-Executive Chairman & Co-CEO KMP since 09/09/1988	2017	2, 5	1,683,655 119.32	(7)	125,441 8.89	-	35,000 2.48	-	-	(266,430) (18.88)	-	1,411,035 100.00	(11.81%)	
	Executive Director Subtotals			3,376,944	(14)	210,486	732	60,000	-	-	(484,511)	-	2,997,013		
John R. Kirby	Deputy Chairman, Non-executive Director, KMP since 12/08/1988	2017		118,721 90.82	-	725 0.55	-	11,279 8.63	-	-	-	-	130,725 100.00	-	
David J. Evans	Independent Director KMP since 02/01/2007	2017		184,931 91.23	-	208 0.10	-	17,569 8.67	-	-	-	-	202,708 100.00	-	
Jennifer Fox Gambrell	Independent Director KMP since 19/11/2015	2017	1	70,000 50.00	-	-	69,996 50.00	-	-	-	-	-	139,996 100.00	-	
Robert Le Tet	Independent Director KMP since 02/04/2007	2017	1	-	-	192 0.13	149,994 99.87	-	-	-	-	-	150,186 100.00	-	
Timothy M. Antonie	Independent Director KMP since 01/12/2010	2017		155,251 90.55	-	1,464 0.85	-	14,749 8.60	-	-	-	-	171,464 100.00	-	
	Non-Executive Director Subtotals			528,903	-	2,589	219,990	43,597	-	-	-	-	795,079		
	Director Subtotals			3,905,847	(14)	213,075	220,722	103,597	-	-	(484,511)	-	(166,624)	3,792,092	
Executives															
Julie E. Raffe	Finance Director KMP since 28/09/1992	2017	3, 4, 5	755,112 57.15	349,699 26.47	39,003 2.95	9,596 0.73	35,000 2.65	-	-	69,723 5.28	-	1,321,143 100.00	31.24%	
Simon T. Phillipson	General Counsel KMP since 13/05/1996	2017	3, 4, 5	607,364 62.57	283,620 29.21	910 0.09	6,315 0.65	35,000 3.60	-	-	(9,586) (0.99)	-	970,910 100.00	34.08%	
Clark J. Kirby	Chief Operating Officer KMP since 01/12/2010	2017	3, 4, 5	635,888 55.34	291,593 25.38	7,422 0.65	1,083 0.09	30,000 2.61	-	-	62,446 5.44	-	1,148,925 100.00	35.87%	
Alistair Bennalack	Chief Financial Officer KMP since 26/10/2015	2017	3, 4, 5	507,776 54.94	257,472 27.86	51,739 5.60	3,198 0.35	25,000 2.70	-	-	31,835 3.44	-	924,276 100.00	32.97%	
	Executive Committee Subtotals			2,506,140	1,182,384	99,074	20,192	125,000	-	-	154,418	-	278,046	4,365,254	
	Total for Key Management Personnel for 2017			6,411,987	1,182,370	312,149	240,914	228,597	-	-	(330,093)	-	111,422	8,157,346	

1. Includes value of shares issued under the Directors' Share Plan.
2. Includes amortised value of share-based payment of options over ordinary shares.
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 paid personal performance STI bonus payments for 2016.
6. Includes movement in annual leave and long service leave accruals.

REMUNERATION REPORT (continued)

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(c) Remuneration of Key Management Personnel (continued)

Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2016

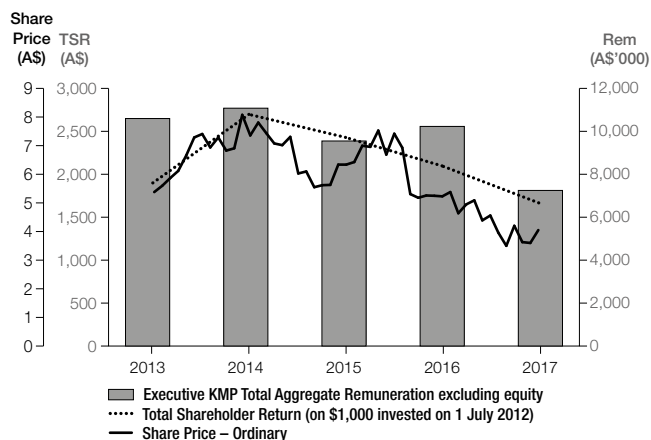
NAME	POSITION <small>(positions do not necessarily co-incide with employment dates)</small>	YEAR	NOTE	SHORT TERM BENEFITS				POST EMPLOYMENT			LONG TERM BENEFITS			TERMINATION PAYMENT	L.T.I. SHARE-BASED PAYMENT	TOTAL	TOTAL % PERFORMANCE RELATED PAY
				Salary & Fees	Cash Bonus S.T.I.	Non-monetary Benefits	Other	Super-annuation	Retirement Benefits	Incentive Plans	Leave Accruals ⁷	Incentive Plans	Retirement Benefits				
Directors																	
Robert G. Kirby	Co-Executive Chairman & Co-CEO KMP since 01/07/2000	2016 %	4, 5	2,640,804 82.75	217,150 6.80	242,669 7.60	6,062 0.19	25,000 0.78	-	-	-	60,021 1.88	-	-	3,191,706 100.00	6.80%	
Graham W. Burke	Co-Executive Chairman & Co-CEO KMP since 09/09/1988	2016 %	2, 5	2,643,835 80.22	217,150 6.59	191,760 5.82	-	25,000 0.76	-	-	-	63,705 1.93	-	-	3,295,686 100.00	11.27%	
	Executive Director Subtotals			5,284,639	434,300	434,429	6,062	50,000	-	-	-	123,726	-	-	6,487,392		
John R. Kirby	Deputy Chairman, Non-executive Director, KMP since 12/08/1988	2016 %		118,721 91.27	-	76 0.06	-	11,279 8.67	-	-	-	-	-	-	130,076 100.00	-	
David J. Evans	Independent Director KMP since 02/01/2007	2016 %		195,305 91.29	-	76 0.04	-	18,554 8.67	-	-	-	-	-	-	213,935 100.00	-	
Peter D. Jonson	Independent Director, KMP from 24/01/2001 to 19/11/2015	2016 %	1	60,968 37.91	-	89,447 55.62	4,620 2.87	5,792 3.60	-	-	-	-	-	-	160,827 100.00	-	
Jennifer Fox Gambrell	Independent Director KMP since 19/11/2015	2016 %		85,978 100.00	-	-	-	-	-	-	-	-	-	-	85,978 100.00	-	
Peter M. Harvie	Independent Director, KMP from 07/04/2013 to 03/02/2016	2016 %		54,193 91.32	-	-	-	5,148 8.68	-	-	-	-	-	-	59,341 100.00	-	
Robert Le Tet	Independent Director KMP since 02/04/2007	2016 %	1	-	-	76 0.05	146,127 99.95	-	-	-	-	-	-	-	146,203 100.00	-	
Timothy M. Antonie	Independent Director KMP since 01/12/2010	2016 %		151,727 91.27	-	96 0.06	-	14,414 8.67	-	-	-	-	-	-	166,237 100.00	-	
	Non-Executive Director Subtotals			666,892	434,300	524,200	156,809	105,187	-	-	-	123,726	-	-	7,449,989		
	Director Subtotals			5,951,531	445,803	39,005	8,710	35,000	-	-	-	54,889	-	-	1,438,325	39.31%	
Executives																	
Julie E. Raffe	Finance Director KMP since 28/09/1992	2016 %	3, 4, 6	735,354 51.13	30,99	2,71	0.61	2,43	-	-	-	3,82	-	-	100.00		
Simon T. Phillipson	General Counsel KMP since 13/05/1996	2016 %	3, 4, 6	590,802 53.78	361,706 32.93	912 0.08	5,540 0.50	35,000 3.19	-	-	-	46,973 4.28	-	-	1,098,505 100.00	38.17%	
Clark J. Kirby	Chief Operating Officer KMP since 01/12/2010	2016 %	3, 4, 6	624,145 51.34	370,719 30.50	956 0.08	960 0.08	30,000 2.47	-	-	-	51,587 4.24	-	-	1,215,642 100.00	41.79%	
Alistair Bennalack	Chief Financial Officer KMP since 26/10/2015	2016 %	3, 4, 5	338,562 68.66	48,352 9.81	32,892 6.67	2,010 0.41	17,003 3.45	-	-	-	25,133 5.10	-	-	493,043 100.00	15.71%	
	Executive Committee Subtotals			2,288,863	1,226,580	73,765	17,220	117,003	-	-	-	178,582	-	-	4,245,515		
	Total for Key Management Personnel for 2016			8,240,394	1,660,880	597,965	174,029	222,190	-	-	-	302,308	-	-	11,695,504		

1. Includes value of shares issued under the Directors' Share Plan.
2. Includes amortised value of share-based payment of options over ordinary shares.
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 CFROI STI bonus accruals for 2016.
6. Includes CFROI STI bonus accruals for 2016 and paid personal performance STI bonus payments for 2015.
7. Includes movement in annual leave and long service leave accruals.

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(d) Five year company performance

Aggregate Executive KMP Remuneration compared to TSR and Share Price

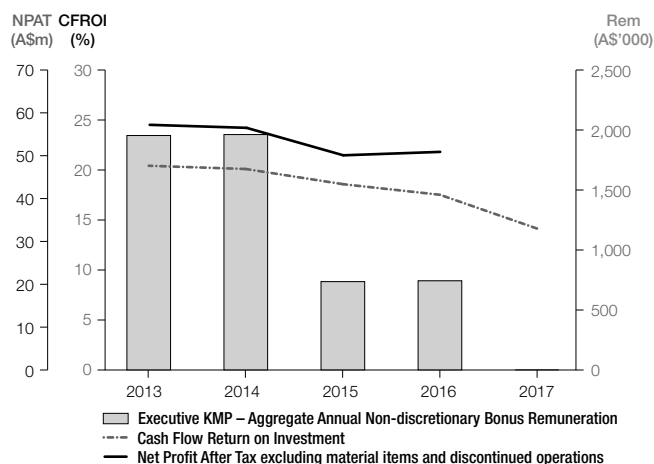


Total Shareholder Return and adjusted Ordinary share price month end closing price history - IRESS

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, based on the investment of \$1,000 in ordinary shares on 1 July 2012. It also shows the share price movement of the Company's ordinary shares over the five years to 30 June 2017, historically adjusted downwards for returns of capital and special dividend payments over the period.

The bar chart shows the total aggregate annual remuneration, including STI bonuses, of the Executive Directors and Executive Committee Members during FY2017 and the four preceding years for the KMP in each year. Excluded from the total aggregate remuneration is the notional value of share-based payments and any termination or retirement benefits. Over this five year period the Company's share price and TSR has been somewhat volatile whilst aggregate remuneration has stabilised and slightly reduced due to the composition of the KMP in prior years.

Executive KMP Non-discretionary STI Remuneration compared to NPAT and CFROI



The STI amounts for Executive KMP 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 Directors and Executive Committee Members for the 2017 financial year (nil) and each of the four preceding years, based on 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 discretionary 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 chart also shows the Company's attributable net profit after tax, before material items and discontinued operations ("NPAT") over the four year period to FY2016, as reported for the year in relation to which the remuneration was paid. This component was amended with effect from 1 July 2016 to be based on attributable net profit after tax, including material items ("Attributable NPAT"), and as a result of the Attributable NPAT being a loss of \$66.7 million in FY2017, nothing was earned from this component in FY2017, and the negative figure has not been shown in the above chart.

The chart also shows Cash Flow Return on Investment ("CFROI") over the relevant five year period. It is noted that 70.2% of the CFROI component of the STI bonus amount for the 2017 year was earned, however the Executive KMP declined to accept these bonus entitlements, which totalled \$766,438 in relation to FY2017.

The reduction in the quantum of STI bonus payments over recent years reflects the overall performance of the Company on these NPAT/Attributable NPAT and CFROI hurdles, and is also due to the change in the composition of the Executive Committee over the five year period. The above chart demonstrates the financial performance of the Company over a five year period and broadly tracks the variable 'at-risk' STI performance outcomes for the Executive Directors and Executive Committee Members and reflects the alignment of the interests of those relevant Executives with those of shareholders.

5. EMPLOYMENT CONTRACTS

Compensation and other terms of employment for the Group's Executives are formalised in employment contracts, which are reviewed by the Remuneration Committee. The major provisions of the employment contracts relating to compensation are as set out below.

(a) Executive Directors

The ongoing employment contracts dealing with remuneration of VRL's two Co-Executive Chairmen and Co-Chief Executive Officers, Mr. Robert Kirby and Mr. Graham Burke, set out a CPI adjusted base remuneration package inclusive of superannuation and car allowance, and an annual capped incentive performance bonus payable on the Company achieving certain financial performance targets. Effective 1 July 2016, the base remuneration packages of Mr. Burke and Mr. Kirby were adjusted downwards by \$968,655 to \$1,718,655, adjusted by CPI thereafter, and the STI increased to 100% of base remuneration subject to revised performance conditions.

The term of Mr. Graham Burke's previous CEO contract expires on 1 December 2017 but remaining terms will continue, including a global twelve month non-compete clause, and there is no provision for pre-determined compensation in the event of termination.

(b) Executive Committee

Mr. C.J. Kirby, Mr. S.T. Phillipson, Ms. J.E. Raffe and Mr. A.W. Bennalack have ongoing employment agreements with the Company with no fixed expiry dates. These provide for base salary and superannuation, a Company motor vehicle provided to Ms. Raffe and Mr. Bennalack and a car allowance provided to Mr. C.J. Kirby. All Executive Committee Members are also eligible to be paid an annual performance bonus.

Payment for termination without cause is equal to twelve months of salary and the Executive Committee Member is restrained from competitive employment during that period. The Group may terminate an employment contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive 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 ESP shares are immediately forfeited and all remaining loans over such LTI shares must be repaid within 6 months of termination.

REMUNERATION REPORT (continued)

6. KMP TRANSACTIONS AND HOLDINGS

(a) Ordinary shares held by KMP

2017	Balance at the start of the year	Granted as remuneration ¹	On exercise of options	Net change other	Balance at the end of the year
Directors					
Robert G. Kirby ²	68,713,136	-	-	-	68,713,136
Graham W. Burke ²	68,713,136	-	-	-	68,713,136
John R. Kirby ²	68,713,136	-	-	-	68,713,136
David J. Evans	111,971	-	-	-	111,971
Robert Le Tet	150,693	37,507	-	-	188,200
Tim Antonie	22,485	-	-	-	22,485
Jennifer Fox Gambrell	-	19,487	-	-	19,487
Executives					
Julie E. Raffe	-	-	-	-	-
Clark J. Kirby	-	-	-	-	-
Simon T. Phillipson	200,000	-	-	-	200,000
Alistair Bennallack	-	-	-	-	-
2016					
	Balance at the start of the year	Granted as remuneration ¹	On exercise of options	Net change other	Balance at the end of the year
Directors					
Robert G. Kirby ²	68,563,136	-	-	150,000	68,713,136
Graham W. Burke ²	68,563,136	-	750,000	(600,000)	68,713,136
John R. Kirby ²	68,563,136	-	-	150,000	68,713,136
David J. Evans	111,971	-	-	-	111,971
Peter D. Jonson ³	93,372	659	-	(23,508)	70,523
Peter M. Harvie ⁴	235,950	-	64,350	-	300,300
Robert Le Tet	126,082	24,611	-	-	150,693
Tim Antonie	22,485	-	-	-	22,485
Jennifer Fox Gambrell ⁵	-	-	-	-	-
Executives					
Julie E. Raffe	-	-	-	-	-
Clark J. Kirby	2,500	-	-	(2,500)	-
Simon T. Phillipson	200,000	-	-	-	200,000
Alistair Bennallack ⁶	-	-	-	-	-

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.

3 Retired on 19 November 2015 and ceased as KMP

4 Retired on 3 February 2016 and ceased as KMP

5 Appointed as KMP on 19 November 2015

6 Appointed as KMP on 26 October 2015

(b) 'In substance options' held by KMP

2017

Name	Balance at the start of the year	Granted as remuneration	Options exercised	Net change other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Executives							
Julie E. Raffe	702,360	45,000	-	-	747,360	602,360	-
Simon T. Phillipson	300,000	36,500	-	-	336,500	200,000	-
Clark J. Kirby	500,000	37,500	-	-	537,500	200,000	-
Alistair Bennallack	133,334	70,000	-	-	203,334	16,667	-

2016

Name	Balance at the start of the year	Granted as remuneration	Options exercised	Net change other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors							
Peter M. Harvie ¹	264,350	-	(64,350)	-	200,000	200,000	-
Executives							
Julie E. Raffe	702,360	-	-	-	702,360	502,360	-
Simon T. Phillipson	300,000	-	-	-	300,000	133,334	-
Clark J. Kirby	600,000	-	-	(100,000)	500,000	100,000	-
Alistair Bennallack ²	150,000	-	-	(16,666)	133,334	-	-

1 Retired on 3 February 2016 and ceased as KMP. Includes repayment of loan from dividends during the year.

2 Appointed as KMP on 26 October 2015

6. KMP TRANSACTIONS AND HOLDINGS (continued)

(c) Options over ordinary shares held by KMP

2017

Name	Balance at start of the year	Granted as remuneration	Options exercised	Net change other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors							
Graham W. Burke	3,000,000	-	-	(750,000)	2,250,000	750,000	-

2016

Name	Balance at start of the year	Granted as remuneration	Options exercised	Net change other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors							
Graham W. Burke	4,500,000	-	(750,000)	(750,000)	3,000,000	-	-

7. NON-EXECUTIVE DIRECTOR REMUNERATION

(a) Remuneration summary

The Board sets Non-Executive Director remuneration at a level which provides the Company with the ability to attract and retain appropriately qualified and experienced Non-Executive Directors of the highest calibre, at an acceptable cost to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that the annual aggregate remuneration of Non-Executive Directors shall be determined from time to time by shareholders in general meeting. An amount not exceeding the annual aggregate remuneration so determined is then divided between the Non-Executive Directors 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 Directors of \$1,300,000 per annum. This aggregate fee level includes any compensation paid to Non-Executive Directors who may serve on Boards of the consolidated entity. Aggregate payments to Non-Executive Directors have never exceeded the total pool approved by shareholders.

Each Non-Executive Director receives a fee for being a 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 serves. 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.

To preserve the independence and impartiality of Non-Executive Directors, no element of Non-Executive Director 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 Directors, fees paid by peer-sized companies and independent advice received from external advisors. The remuneration arrangements of Non-Executive Directors 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 Directors have been paid at the rate of \$100,000 per annum, payable quarterly in arrears. In addition, Non-Executive Directors receive an additional \$20,000 per annum for each Board Committee on which they serve. The Lead Independent Director and the Deputy Chairman receive 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.

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

(b) Directors' Share Plan

The Company considers it appropriate for Non-Executive Directors to have a stake in the Company and encourages Non-Executive Directors to hold shares.

The Directors' Share Plan ("DSP"), effective from 1 January 2011 and renewed by shareholders at the 2013 and 2016 Annual General Meetings of the Company, enables Non-Executive Directors 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 Directors can vary their participation in 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
R. Le Tet	8 September 2016	8,047	\$4.66
	8 December 2016	8,581	\$4.37
	8 March 2017	10,744	\$3.49
	8 June 2017	10,135	\$3.70
J. Fox Gambrell	8 March 2017	10,028	\$3.49
	8 June 2017	9,459	\$3.70

The ASX is notified of the various share, option and 'in substance option' holdings of all Directors, and they are also set out on page 11 of the Directors' Report.

8. OTHER TRANSACTIONS WITH KMP

Peninsula Cinemas Pty. Ltd. ("Peninsula Cinemas"), which are non-competing cinemas owned by an entity associated with Mr. R.G. Kirby, exhibit films supplied by the Film Distribution division of the VRL group on arm's length terms and conditions. The total amount charged by the VRL group for the year ended 30 June 2017 was \$306,327 (2016: \$240,290). In addition, Peninsula Cinemas received amounts from external parties on behalf of the VRL group, which were then paid to the VRL group, which in the year ended 30 June 2017 totalled Nil (2016: \$222,067). Other net reimbursement amounts paid by Peninsula Cinemas to the VRL group in relation to operational cinema matters in the year ended 30 June 2017 totalled \$21,006 (2016 \$5,558).

The VRL group 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 \$366,693 for the year ended 30 June 2017 (2016: \$330,540). The wine purchased was mainly for the Cinema Exhibition division's Gold Class cinemas and for Corporate functions. These transactions were carried out under arm's length terms and conditions.

The VRL group purchased swimwear from Garyson Nominees Pty. Ltd., an entity associated with Mr. G.W. Burke. The total purchases were \$8,619 for the year ended 30 June 2017 (2016: \$31,300). The swimwear was purchased on an arm's length basis as merchandise for resale by the Theme Parks division.

The Film Distribution division of the VRL group distributes a number of older film titles in which Village Roadshow Corporation Pty. Ltd. ("VRC"), the Company's immediate parent entity, has economic interests. During the year ended 30 June 2017, \$6,185 of film royalties (2016: \$53,086 relating to accumulated film royalties for the period from July 2006 to December 2015) were paid to VRC.

The VRL group recharged occupancy costs and other net recharges for services provided and received, on an arm's 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 2017 was \$180,292 (2016: \$149,417).

As at 30 June 2017, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was \$55,418 (2016: \$19,405), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was \$7,652 (2016: \$8,112).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Continuing operations			
Income			
Revenues	2(a)	1,003,158	1,039,865
Other income	2(b)	36,197	33,163
Expenses excluding finance costs	2(d)	(1,070,116)	(997,713)
Finance costs	2(e)	(31,715)	(34,655)
Share of net losses of equity-accounted investments	2(c)	(13,497)	(9,170)
(Loss) profit from continuing operations before income tax benefit (expense)		(75,973)	31,490
Income tax benefit (expense)	4	10,351	(14,928)
(Loss) profit after tax from continuing operations		(65,622)	16,562
Discontinued operations			
Profit after tax		-	-
Net (loss) profit for the year		(65,622)	16,562
(Loss) profit for the year is attributable to:			
Non-controlling interest		1,096	899
Owners of the parent		(66,718)	15,663
		(65,622)	16,562
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	20	1,038	(4,594)
Foreign currency translation	20	151	(1,291)
Other comprehensive income (expense) for the year after tax		1,189	(5,885)
Total comprehensive (expense) income for the year		(64,433)	10,677
Total comprehensive (expense) income for the year is attributable to:			
Non-controlling interest		1,096	899
Owners of the parent		(65,529)	9,778
		(64,433)	10,677
(Loss) earnings per share (cents per share)			
For (loss) profit for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic (loss) earnings per share	3	(41.3) cents	9.8 cents
Diluted (loss) earnings per share	3	(41.3) cents	9.7 cents
For (loss) profit from continuing operations for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic (loss) earnings per share	3	(41.3) cents	9.8 cents
Diluted (loss) earnings per share	3	(41.3) cents	9.7 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 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6(a)	100,400	64,338
Trade and other receivables	7	128,300	158,876
Inventories	8	21,292	24,929
Asset held for sale	11(a)	11,839	–
Current tax assets		12,326	6,456
Film distribution royalties	10(b)	57,310	75,546
Derivatives	30(e)	94	1,260
Other	10(a)	9,163	12,131
Total current assets		340,724	343,536
Non-Current Assets			
Trade and other receivables	7	18,300	15,254
Goodwill and other intangible assets	9	381,870	389,024
Investments – equity-accounted	11	30,037	48,305
Available-for-sale investments		407	720
Property, plant & equipment	14	615,813	686,819
Deferred tax assets	4(c)	774	2,508
Film distribution royalties	10(b)	69,895	69,039
Other	10(a)	3,524	471
Total non-current assets		1,120,620	1,212,140
Total assets		1,461,344	1,555,676
LIABILITIES			
Current Liabilities			
Trade and other payables	15	262,956	258,697
Interest bearing loans and borrowings	16	1,072	1,115
Income tax payable		39	187
Provisions	17	31,870	40,690
Derivatives	30(e)	3,026	5,532
Other	18	59,528	60,360
Total current liabilities		358,491	366,581
Non-Current Liabilities			
Trade and other payables	15	31,347	47,036
Interest bearing loans and borrowings	16	626,418	597,942
Deferred tax liabilities	4(c)	22,692	40,736
Provisions	17	8,950	8,724
Derivatives	30(e)	27	1,076
Other	18	13,287	13,222
Total non-current liabilities		702,721	708,736
Total liabilities		1,061,212	1,075,317
Net assets		400,132	480,359
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	19	225,176	224,234
Reserves	20	89,852	81,539
Retained earnings	20	70,290	159,564
Parent interests		385,318	465,337
Non-controlling interest	21	14,814	15,022
Total equity		400,132	480,359

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 2017

	Notes	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,138,760	1,159,275
Payments to suppliers and employees		(995,284)	(1,036,626)
Dividends and distributions received		22,029	7,496
Interest and other items of similar nature received		2,377	3,463
Finance costs		(30,141)	(28,428)
Income taxes paid		(7,333)	(22,874)
Net cash flows from operating activities	6(b)	130,408	82,306
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant & equipment		(66,451)	(87,086)
Purchases of software & other intangibles		(13,086)	(11,851)
Proceeds from sale of property, plant & equipment		9,051	211
Purchase of investments/businesses		(7,483)	(59,313)
Proceeds from sale of investments/businesses		373	1,950
Government grants received		-	10,763
Loans to (or repaid to) other entities		(25,824)	(22,497)
Loans from (or repaid by) other entities		4,240	2,969
Net cash flows used in investing activities		(99,180)	(164,854)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		50,000	113,400
Proceeds from issues of shares		150	2,783
Repayment of borrowings		(22,406)	(17,804)
Dividends and distributions paid		(22,556)	(44,986)
Net cash flows from financing activities		5,188	53,393
Net increase (decrease) in cash and cash equivalents		36,416	(29,155)
Cash and cash equivalents at beginning of year		64,338	95,335
Effects of exchange rate changes on cash		(354)	(1,842)
Cash and cash equivalents at end of the year	6(a)	100,400	64,338
Total cash classified as:			
Continuing operations		100,400	64,338
Total cash and cash equivalents at end of the year		100,400	64,338

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 2017

	ATTRIBUTABLE TO EQUITY HOLDERS OF VILLAGE ROADSHOW LIMITED				NON-CONTROLLING INTEREST (NOTE 21)	TOTAL EQUITY
	Contributed Equity (Note 19) \$'000	Retained Earnings (Note 20) \$'000	Reserves (Note 20) \$'000	Total \$'000	\$'000	\$'000
Balances at 1 July 2016	224,234	159,564	81,539	465,337	15,022	480,359
Loss for the year	-	(66,718)	-	(66,718)	1,096	(65,622)
Other comprehensive income (net)	-	-	1,189	1,189	-	1,189
Total comprehensive (expense) income for the year	-	(66,718)	1,189	(65,529)	1,096	(64,433)
Share-based payment movements	722	-	414	1,136	-	1,136
Issue of shares under Directors' Share Plan from Directors' fees	220	-	-	220	-	220
Controlled entity acquisition reserve	-	-	6,710	6,710	(779)	5,931
Equity dividends	-	(22,556)	-	(22,556)	-	(22,556)
Other changes in equity	-	-	-	-	(525)	(525)
At 30 June 2017	225,176	70,290	89,852	385,318	14,814	400,132
Balances at 1 July 2015	220,406	188,887	102,099	511,392	14,251	525,643
Profit for the year	-	15,663	-	15,663	899	16,562
Other comprehensive expense (net)	-	-	(5,885)	(5,885)	-	(5,885)
Total comprehensive income (expense) for the year	-	15,663	(5,885)	9,778	899	10,677
Share-based payment movements	1,045	-	891	1,936	-	1,936
Issue of shares under Directors' Share Plan from Directors' fees	150	-	-	150	-	150
Controlled entity acquisition reserve	-	-	(15,794)	(15,794)	-	(15,794)
Issue of shares from exercise of options	2,633	-	-	2,633	-	2,633
Equity dividends	-	(44,986)	-	(44,986)	-	(44,986)
Other changes in equity	-	-	228	228	(128)	100
At 30 June 2016	224,234	159,564	81,539	465,337	15,022	480,359

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 2017 was authorised for issue on 22 September 2017, 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 Village Roadshow Limited and its subsidiaries ("the Group", "VRL group" or "consolidated entity") 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 Corporations Instrument 2016/191. The Company is an entity to which the Instrument 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.

For the year ended 30 June 2017, the Group made an attributable loss after tax of \$66.7 million, and had a Gearing Ratio of 57% as at 30 June 2017. The Group remains in compliance with its banking covenants, and the Board is actively working toward reducing debt. The Directors consider that the going concern basis of preparation in the financial statements is appropriate on the basis that forecast future debt covenants are projected to be met, based on the Group's operating cash inflows and potential asset sales, including the sale of the Group's 50% stake in the Singapore Cinema Exhibition business, which is well advanced, and the potential sale and leaseback of freehold land at the theme park operations in Queensland, within the next reporting period.

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

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

(ii) The Group has adopted the following new and amended Australian Accounting Standards and Australian Accounting Standards Board ("AASB") Interpretations in the current financial year:

- AASB 1057: *Application of Australian Accounting Standards*
- AASB 2014-3: *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4: *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1: *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2: *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB101*
- AASB 2015-9: *Amendments to Australian Accounting Standards - Scope and Application Paragraphs*

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 AASB or the International Accounting Standards Board ("IASB"), which are effective for financial years after 30 June 2017. Further details are as follows:

- AASB 9: *Financial Instruments*: AASB 9 is a new standard which replaces AASB 139: *Financial Instruments: Recognition and Measurement*, and includes a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. Application date of this standard is 1 January 2018, and application date for the Group is 1 July 2018. Retrospective application of AASB 9 on adoption is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 July 2018.

The Group does not expect a significant change to the measurement basis from adoption of the new classification and measurement model under AASB 9. Loans and receivables currently accounted for at amortised cost will continue to be accounted for using the amortised cost model under AASB 9. For financial assets and liabilities currently

held at fair value, the Group expects to continue measuring these assets and liabilities at fair value under AASB 9. The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. It would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of AASB 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships. The Group is evaluating the approach to adopt in respect of recording expected impairment losses on trade receivables. On adoption of AASB 9, the Group does not expect a significant impact to the impairment loss allowance.

- AASB 15: *Revenue from Contracts with Customers* and AASB 2016-3: *Amendments to Australian Accounting Standard - Clarifications to AASB 15*: The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application date of these standards is 1 January 2018, and application date for the Group is 1 July 2018.

The Group has formed a project team who have defined a project plan with a scope to review the impact of AASB 15 on the Group. The project team is currently assessing all significant revenue streams within the Group, and in particular focussing on distribution and licensing revenues in the Film Distribution segment and promotional services revenue in the Marketing Solutions segment. The assessment of these revenue streams require further detailed analysis, which is ongoing, in order to determine the impacts (if any). As revenue streams in the Theme Parks and Cinema Exhibition segments are predominantly admissions and retail based, the Group does not currently expect a material impact to these segments under AASB 15.

- AASB 16: *Leases*: AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation of the asset and interest on the liability will be recognised.

Application date of this standard is 1 January 2019, and application date for the Group is 1 July 2019. This standard will materially impact the Group's financial position at transition and in future years, as the Group's operating leases (primarily property leases in relation to the Cinema Exhibition segment) are recognised on balance sheet. At the present time the standard is not expected to materially impact the Group's financial performance as lease rental expenses currently recognised in the statement of financial performance will be replaced with depreciation and interest. Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. A detailed review of contracts, financial reporting impacts and system requirements will continue.

- AASB 2016-1: *Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses*: This is an amendment to AASB 112 and provides clarification on the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. Application date of this standard was 1 January 2017, and application date for the Group is 1 July 2017. This amendment is applied retrospectively and does not impact the Group.
- AASB 2016-2: *Amendments to Australian Accounting Standards - Disclosure Initiative*: This is an amendment to AASB 107 and requires disclosures of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Application date of this standard was 1 January 2017, and application date for the Group is 1 July 2017. This standard has no financial impact on the Group as it relates to disclosures only.
- AASB 2016-5: *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*: This is an amendment to AASB 2 and addresses implementation issues encountered by stakeholders for certain types of share-based payment transactions. Application date of this standard is 1 January 2018, and application date for the Group is 1 July 2018. The impact of adoption of this standard on the Group's financial results has not been assessed.
- AASB 2017-2: *Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016*: This is an amendment to AASB 12

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

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

and clarifies the scope of the standard by specifying disclosure requirements that apply to an entity's interests in other entities that are classified as held for sale or discontinued operations. Application date of this standard was 1 January 2017, and application date for the Group is 1 July 2017. This standard has no financial impact on the Group as it relates to disclosures only.

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 year ended 30 June 2017, 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 the VRL group 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. Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(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.

An option (put or call) granted over the remaining interest of a business combination where 100% has not been acquired gives rise to a financial liability for the present value of the estimated redemption amount. This amount, less the calculated non-controlling interest amount, gives rise to a debit which is recognised in equity, in the Controlled Entity Acquisition Reserve. During each financial reporting period, non-controlling interests continue to receive an allocation of profit or loss which is recognised within equity. At each balance sheet date, the non-controlling interest in equity is derecognised, and transferred to the financial liability and any difference between the change in fair value of the financial liability and the non-controlling interest derecognised is charged or credited to the Controlled Entity Acquisition Reserve.

(iii) Revenue recognition

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

(a) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be

incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(b) Rendering of services

Revenue from the rendering of services is recognised when control of a right to be compensated for the services has been attained by reference to the stage of completion. Where contracts span more than one reporting period, the stage of completion is based on an assessment of the value of work performed at that date.

(c) Interest income

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

(d) Dividends

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

(e) Unearned income

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

(iv) Borrowing costs

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

(v) Leases

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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

(c) Summary of significant accounting policies (continued)

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 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

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 cost to sell if the carrying amount will be recovered principally through a sale transaction. These assets are not depreciated or amortised following classification as

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

(c) Summary of significant accounting policies (continued)

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 and joint ventures

The Group's investments in associates and joint ventures 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 arrangement. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, an investment in an associate or joint venture 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 or joint venture. Goodwill relating to an associate or joint venture 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 or joint venture. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture.

Where there has been a change recognised directly in the equity of the associate or joint venture, 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 or joint venture equals or exceeds its interest in the associate or joint venture, 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 or joint venture.

(xiv) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in joint 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 tax assets and liabilities are measured based on the expected manner of recovery of carrying value of an asset or liability. The expected manner of recovery of indefinite life intangible assets is through sale and not use.

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case

a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Tax Consolidation

For Australian income tax purposes, various entities in the Group have formed 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 & equipment

Property, plant & 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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

(c) Summary of significant accounting policies (continued)

(xvii) Property, plant & equipment (continued)

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 of disposal and value in use. In assessing fair value less costs of disposal, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the estimated price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. 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 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.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(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

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

(c) Summary of significant accounting policies (continued)

(xx) Intangible assets (continued)

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 to 16 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 of disposal 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.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the nature of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

(xxii) Trade and other payables

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

(xxiii) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in 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 high quality corporate 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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

(c) Summary of significant accounting policies (continued)

(xxvi) Share-based payment transactions (continued)

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 then Chief Executive Officer. 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.

(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 |
| - Marketing Solutions | Sales promotion and loyalty program 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 28 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.
- 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 used for the years ended 30 June 2017 and 30 June 2016 was 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.

(xxxii) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. Government grants relating to an asset is presented in the statement of financial position as unearned revenue.

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

(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 disclosed 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. Refer to Note 10 for further information.

(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)(iii)). 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. Refer to Note 9 and Note 14 for further information.

	2017 \$'000	2016 \$'000
2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS		
(a) Revenue		
Sale of goods	337,183	389,582
Rendering of services	659,275	647,702
Finance revenue	1,651	2,572
Dividends received -		
Dividend from asset held for sale (Refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	5,038	-
Other dividends	11	9
Total revenues	1,003,158	1,039,865
(b) Other income		
Management fees from -		
Other entities	7,976	7,598
Associates	709	685
Net gains on disposal of investments	635	620
Unearned revenue written back	8,505	6,787
Commissions/fees received	5,929	5,545
Other	12,443	11,928
Total other income	36,197	33,163
(c) Share of net losses of equity-accounted investments		
Share of net losses of equity-accounted investments (refer Note 11)	(13,497)	(9,170)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS <small>(continued)</small>		
(d) Expenses excluding finance costs		
Employee expenses -		
Employee benefits	17,573	18,894
Defined contribution superannuation expense	17,504	17,002
Share-based payment expense	414	891
Remuneration and other employee expenses	210,171	206,980
Total employee expenses	245,662	243,767
Cost of goods sold	120,669	123,161
Occupancy expenses -		
Operating lease rental – minimum lease payments	48,256	49,187
Operating lease rental – contingent rental payments	4,386	4,344
Other occupancy expenses	22,772	23,198
Total occupancy expenses	75,414	76,729
Film hire and other film expenses	246,998	265,330
Depreciation of -		
Buildings & improvements	4,089	3,100
Plant, equipment & vehicles	39,815	41,036
Amortisation of -		
Leasehold improvements	12,575	12,015
Finance lease assets	23	-
Software & other intangibles	16,928	15,457
Total depreciation and amortisation	73,430	71,608
Net loss on disposal of property, plant & equipment	38	80
Net foreign currency gains	(115)	(913)
Impairment and other non-cash adjustments <small>(refer material items of income and expense in Reconciliation of Results contained in Directors' Report)</small>	88,811	7,132
Management and services fees paid	3,713	3,531
Theme park operating expenses	30,346	29,277
Repairs and maintenance	14,747	15,290
Advertising and promotions	116,399	106,434
Restructuring costs <small>(refer material items of income and expense in Reconciliation of Results contained in Directors' Report)</small>	6,668	3,943
Other provision reversed <small>(refer material items of income and expense in Reconciliation of Results contained in Directors' Report)</small>	(7,500)	-
Provision for doubtful debts	408	88
Bad debts (recovered) written off	(75)	498
Other expenses	54,503	51,758
Total expenses excluding finance costs	1,070,116	997,713
(e) Finance costs		
Total finance costs before finance restructuring costs	31,715	30,411
Finance restructuring costs <small>(refer material items of income and expense in Reconciliation of Results contained in Directors' Report)</small>	-	4,244
Total finance costs	31,715	34,655

3 (LOSS) EARNINGS PER SHARE

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

	2017	2016
(a) (Loss) earnings per share:		
Net (loss) profit attributable to ordinary equity holders of VRL		
Basic (loss) earnings per share	(41.3) cents	9.8 cents
Diluted (loss) earnings per share	(41.3) cents	9.7 cents
Net (loss) profit from continuing operations attributable to ordinary equity holders of VRL		
Basic (loss) earnings per share	(41.3) cents	9.8 cents
Diluted (loss) earnings per share	(41.3) cents	9.7 cents

(b) The following reflects the net (loss) income and weighted average share data outstanding during the period:

	2017 \$'000	2016 \$'000
Net (loss) profit from continuing operations	(65,622)	16,562
Net profit attributable to non-controlling interest from continuing operations	(1,096)	(899)
Net (loss) profit attributable to ordinary equity holders of VRL (from continuing operations and in total)	(66,718)	15,663

	2017 No. of Shares	2016 No. of Shares
Weighted average number of ordinary shares for basic earnings per share	161,607,443	160,558,023
Weighted average number of ordinary shares for diluted earnings per share ¹	162,107,143	162,159,487

1 The issued options were reviewed and determined to represent 499,700 potential ordinary shares as at 30 June 2017 (2016: 1,601,464 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.

	2017 \$'000	2016 \$'000
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4 INCOME TAX

(a) Major components of income tax benefit (expense) from continuing operations for the years ended 30 June 2017 and 2016 are:

Statement of Comprehensive Income

Current income tax

Current income tax (expense)	(1,785)	(23,118)
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Deferred income tax

Relating to origination and reversal of temporary differences	16,310	5,060
Deferred tax asset acquired in business combination	-	5,183
Movements taken up in Other Comprehensive Income instead of income tax (expense)	(4,174)	(2,053)

Income tax benefit (expense) reported in statement of comprehensive income – continuing operations	10,351	(14,928)
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(b) A reconciliation of income tax benefit (expense) applicable to accounting (loss) profit before income tax at the statutory income tax rate to income tax benefit (expense) at the Group's effective income tax rate is as follows:

Net (loss) profit before income tax	(75,973)	31,490
At the statutory income tax rate of 30% (2016: 30%)	22,792	(9,447)
Adjustments in respect of current income tax of previous years	(679)	-
Non-assessable income/expense reversals	3,761	-
Non-deductible expenses	(434)	(1,189)
After-tax equity-accounted (losses) profits included in pre-tax (loss) profit	(4,259)	(2,751)
Deferred tax balances de-recognised (refer income tax benefit (expense) material items, in Reconciliation of Results contained in Directors' Report)	2,132	(1,148)
Deferred tax balances not recognised	(12,302)	-
Other	(660)	(393)
Total income tax benefit (expense) – continuing operations – at effective tax rate of 13.6% (2016: 47.4%)	10,351	(14,928)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
4 INCOME TAX (continued)				
(c) Deferred tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Property, plant & equipment	27,303	32,202	4,899	(1,064)
Film distribution royalties	30,498	34,731	4,233	1,035
Intangible assets	2,645	3,552	907	(255)
Unrealised foreign currency gains	595	5,309	4,714	(1,269)
Derivatives	19	378	359	1,580
Other	1,366	2,078	712	361
Net-down with deferred tax assets	(39,734)	(37,514)	-	-
Total deferred income tax liabilities	22,692	40,736		
Deferred tax assets				
Post-employment benefits	9,262	9,375	(113)	439
Property, plant & equipment	18,456	13,302	5,154	714
Sundry creditors & accruals	1,680	1,810	(130)	124
Expenses deductible over more than one year	-	-	-	(772)
Provisions and unrealised foreign currency losses	2,316	3,574	(1,258)	1,332
Unearned income	4,424	4,438	(14)	3,227
Balance remaining from business combination in 2016	685	2,404	(1,719)	2,404
Capitalised development costs	1,391	1,449	(58)	(61)
Derivatives	907	1,982	(1,075)	389
Other	1,387	1,688	(301)	(720)
Net-down with deferred tax liabilities	(39,734)	(37,514)	-	-
Total deferred income tax assets	774	2,508		
Deferred income tax benefit (expense)			16,310	7,464
	2017 \$'000	2016 \$'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	10,474	6,418
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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 executed a combined Tax Sharing and Tax Funding Agreement ("TSA") in order to allocate income tax expense to the wholly-owned entities predominantly on a stand-alone basis. In addition, the TSA 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 2017, VRL recognised an increase in current tax liabilities of \$13.4 million (2016: \$29.4 million), and an increase in inter-company receivables of \$13.4 million (2016: \$29.4 million) in relation to tax consolidation contribution amounts.

	2017 \$'000	2016 \$'000
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5 DIVIDENDS DECLARED¹

(a) Declared during the year

Final dividend on ordinary shares of 14.0 cents per share fully-franked (2016: 14.0 cents per share fully-franked)	22,556	22,433
Interim dividend on ordinary shares of nil cents per share (2016: 14.0 cents per share fully-franked)	-	22,553
	22,556	44,986

(b) Declared subsequent to year-end²

Final dividend on ordinary shares of nil cents per share fully-franked (2016: 14.0 cents per share fully-franked)	-	22,556
	-	22,556

¹ The tax rate at which paid dividends have been franked is 30% (2016: 30%).

² The final dividend for the year ended 30 June 2016, which was declared subsequent to year-end, was not accrued in the 30 June 2016 Financial Statements.

2017
\$'000

2016
\$'000

6 CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

Cash on hand and at bank ¹	85,907	40,839
Deposits at call	14,493	23,499
Total cash and cash equivalents – continuing operations	100,400	64,338

1 Cash on hand and at bank includes \$5.5 million (2016: \$1.2 million) of cash held on behalf of customers which is restricted and held in separate bank accounts and used for payment of promotional rebates. This balance cannot be called upon should the Group become insolvent.

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	100,400	64,338
Total cash and cash equivalents for the purposes of the statement of cash flows	100,400	64,338

(b) Reconciliation of net (loss) profit to net operating cash flows

Net (loss) profit	(65,622)	16,562
Adjustments for:		
Depreciation	43,904	44,136
Amortisation	29,526	27,472
Impairment and other non-cash adjustments (refer Note 2(d))	88,811	7,132
Provisions	(8,391)	1,862
Shared-based payment expense	414	891
Net gains on disposal of assets	(597)	(540)
Unrealised foreign currency gains	(181)	(354)
Difference between equity-accounted results and cash dividends/interest received	31,176	17,499
Changes in assets and liabilities:		
Decrease (increase) – trade and other receivables	23,483	(11,302)
Decrease – trade and other payables	(1,249)	(37,446)
Increase – net current tax assets	(11,379)	(2,220)
(Decrease) increase – unearned income	(1,380)	13,288
Increase – other payables and provisions	155	2,373
Decrease (increase) – inventories	3,637	(2,554)
Decrease – capitalised borrowing costs	1,357	1,966
Decrease – deferred and other income tax liabilities	(5,877)	(5,209)
Decrease – prepayments and other assets	2,923	13,385
Increase – film distribution royalties	(302)	(4,635)
Net operating cash flows	130,408	82,306

(c) Financing facilities available

At reporting date, the following financing facilities were available:

Total facilities	662,534	813,834
Facilities used at reporting date	632,534	603,834
Facilities unused at reporting date	30,000	210,000

Refer also to Note 30 for an analysis of the Group's liquidity profile.

As at the date of this report, there were undrawn financing facilities of \$30.0 million.

7 TRADE AND OTHER RECEIVABLES

Current:

Trade and other receivables	129,495	164,064
Provision for impairment loss (a)	(1,195)	(5,188)
	128,300	158,876

Non-current:

Trade and other receivables	18,300	15,254
Due from associates	36,885	24,188
Provision for impairment loss (b)	(36,885)	(24,188)
	–	–
	18,300	15,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

2017
\$'000

2016
\$'000

7 TRADE AND OTHER RECEIVABLES (continued)

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

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

0 to 3 months	142,949	171,449
> 3 months ¹	3,652	2,681
0 to 3 months – CI*	497	339
3 to 6 months – CI*	59	26
> 6 months – CI*	638	4,823
Total trade and other receivables before provisions	147,795	179,318

* Considered Impaired ("CI")

¹ Includes receivables past due but not considered impaired of \$3.2 million in 2017 (2016: \$2.0 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 30(c)(i)).

In June 2017 the Group entered into a receivables purchase agreement for its Film Distribution segment, involving the partial sale of trade receivables. Significant risks and rewards relating to the portion of receivables sold were transferred to the purchaser, hence qualifying for partial de-recognition of the sold receivables. At 30 June 2017, the face value of invoices sold and remain uncollected was \$20.0 million, of which the Group continued to recognise \$10.0 million.

Movements in the provision for impairment loss were as follows:

Carrying amount at beginning	5,188	5,430
Charge for the year	543	534
Foreign exchange translation	(8)	14
Amounts written off for the year	(4,528)	(790)
Carrying amount at end	1,195	5,188

(b) Due from associates and provision for impairment loss

At 30 June, the ageing analysis of amounts owing by associates is as follows:

0 to 3 months – CI*	36,885	24,188
Total due from associates before provisions	36,885	24,188

* Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2016: Nil).

Movements in the provision for impairment loss were as follows:

Carrying amount at beginning	24,188	10,805
Increase for the year	25,824	24,188
Decrease for the year	(13,127)	(10,805)
Carrying amount at end	36,885	24,188

8 INVENTORIES

Current:

Merchandise held for resale – at cost	23,880	27,927
Provision for stock loss	(2,588)	(2,998)
	21,292	24,929

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 2017

	Goodwill \$'000	Brand Names ¹ \$'000	Software & Other \$'000	Total \$'000
At 1 July 2016				
Cost	316,660	31,680	104,213	452,553
Accumulated amortisation and impairment	(7,804)	(600)	(55,125)	(63,529)
Net carrying amount	308,856	31,080	49,088	389,024
Year ended 30 June 2017				
At 1 July 2016, net of accumulated amortisation and impairment	308,856	31,080	49,088	389,024
Additions/transfers	-	-	17,097	17,097
Net foreign currency movements arising from investments in foreign operations	(2,783)	-	(51)	(2,834)
Impairment	-	(3,420)	(1,069)	(4,489)
Amortisation – refer Note 2(d)	-	-	(16,928)	(16,928)
Net carrying amount	306,073	27,660	48,137	381,870
At 30 June 2017				
Cost	313,877	31,680	112,167	457,724
Accumulated amortisation and impairment	(7,804)	(4,020)	(64,030)	(75,854)
Net carrying amount	306,073	27,660	48,137	381,870

FOR THE YEAR ENDED 30 JUNE 2016

	Goodwill \$'000	Brand Names ¹ \$'000	Software & Other \$'000	Total \$'000
At 1 July 2015				
Cost	265,497	31,680	124,105	421,282
Accumulated amortisation and impairment	(7,804)	(600)	(74,694)	(83,098)
Net carrying amount	257,693	31,080	49,411	338,184
Year ended 30 June 2016				
At 1 July 2015, net of accumulated amortisation and impairment	257,693	31,080	49,411	338,184
Additions/transfers	-	-	14,491	14,491
Net foreign currency movements arising from investments in foreign operations	(7,324)	-	(148)	(7,472)
Acquisitions	58,487	-	1,047	59,534
Impairment	-	-	(256)	(256)
Amortisation – refer Note 2(d)	-	-	(15,457)	(15,457)
Net carrying amount	308,856	31,080	49,088	389,024
At 30 June 2016				
Cost	316,660	31,680	104,213	452,553
Accumulated amortisation and impairment	(7,804)	(600)	(55,125)	(63,529)
Net carrying amount	308,856	31,080	49,088	389,024

Note:

1 In 2017 and 2016, all 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 goodwill and indefinite life intangible assets are provided below.

Recoverable amount assessed on the basis of fair value less costs of disposal:

The recoverable amount of the material balances of the Group's goodwill and indefinite life intangible assets has been determined based on fair value less costs of disposal ("FVLCD") calculations. The key assumptions on which the Group has based cash flow projections when determining FVLCD 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 rates applied to the cash flow projections were in the range of 10.6% to 13.1% (2016: 10.6% to 12.9%) for Australian based CGU's and 9.6% to 10.5% (2016: 10.6% to 11.6%) for the Marketing Solutions UK CGU. Cash flows used were mainly from the Group's 5 year plans. Cash flows beyond five years were extrapolated using a terminal growth rate range of 0% to 3% (2016: 0% to 3%). The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU's operate. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants. Under the fair value hierarchy, level 3 inputs were used.

Goodwill allocated for impairment testing included material groupings and 2017 balances as follows:

- Village Roadshow Theme Parks group - \$137.1 million (2016: \$137.1 million) (re: Australian Theme Park interests)
- Roadshow Distributors Pty. Ltd. group - \$57.1 million (2016: \$57.1 million) (re: Film Distribution interests)
- Village Cinemas Australia Pty. Ltd. group - \$47.2 million (2016: \$47.2 million) (re: Australian Cinemas Exhibition interests)
- Village Roadshow Digital Pty. Ltd. group - \$22.3 million (2016: \$22.3 million) (re: Australian Marketing Solutions interest)
- Edge UK Holdings Ltd. group - \$42.4 million (2016: \$45.2 million) (re: UK Marketing Solutions interest)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

9 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

(a) Impairment testing of goodwill and brand names (continued)

Impairment losses recognised:

In the year ended 30 June 2017, following the tragic incident at a competitor park in the Gold Coast and the significant impact this had on the financial performance of the Gold Coast Theme Parks and Wet'n'Wild Sydney, impairment losses on brand names of \$3.4 million and software and other of \$1.1 million (2016: \$0.3 million relating to the Other segment) were recognised relating to the Theme Parks segment. Refer to note 14 for further information.

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 (2017: \$27.7 million post impairment, 2016: \$31.1 million). Refer above for further details relating to cash flows, growth and discount rates.

Sensitivity to changes in assumptions:

With regard to the assessment of recoverable amount of goodwill and other intangible assets for CGU's within the Cinema Exhibition, Film Distribution and Marketing Solutions segments, the Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to exceed recoverable amounts. Following the impairment noted above, it is also noted that if the recovery of earnings at the Gold Coast Theme Parks is lower than currently forecast, there may be a risk of further impairment.

	2017 \$'000	2016 \$'000
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10 OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES

(a) Other Assets

Current:

Prepayments	6,420	6,990
Work in progress	1,947	2,107
Other assets	796	3,034
	<u>9,163</u>	<u>12,131</u>

Non-current:

Security deposits	244	205
Other assets	3,280	266
	<u>3,524</u>	<u>471</u>

(b) Film Distribution Royalties

Opening balance	144,585	139,950
Additions	78,845	89,697
Foreign currency movements	(2,986)	(859)
Impairment and other non-cash adjustments <small>(refer material items of income and expense in Reconciliation of Results contained in Directors' Report)¹</small>	(17,683)	-
Film hire and other film expenses	(75,556)	(84,203)
	<u>127,205</u>	<u>144,585</u>

¹ Following a detailed analysis of film distribution royalty amounts in the Film Distribution segment in the year ended 30 June 2017, impairment and other non-cash adjustments totalling \$12.4 million after tax were recognised.

Current film distribution royalties	57,310	75,546
Non-current film distribution royalties	69,895	69,039
	<u>127,205</u>	<u>144,585</u>

11 INVESTMENTS – EQUITY-ACCOUNTED

Non-current:

Investments – equity-accounted	30,037	48,305
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(a) Detailed information: Dartina Development Limited ("Dartina"):

(i) Nature of Relationship and Ownership Percentage:

The VRL group owns 50% of the ordinary shares in Dartina, which is the entity that owns the Singapore Cinema Exhibition operations. Dartina is classified as a joint venture for accounting purposes.

As advised to the Australian Securities Exchange on 13 June 2017 (and updated on 11 August 2017), the VRL group had signed an agreement to sell its 50% stake in the Singapore Cinema Exhibition business, Golden Village. As a result, effective from 1 June 2017, the investment in the holding company, Dartina Development Ltd., ("Dartina") has been classified as Held for Sale, and equity accounting ceased from that date. A dividend of A\$5.0 million was received from Dartina in June 2017, which has been included in material items of income and expense in the Reconciliation of Results contained in the Directors' Report. Refer also to Note 27.

(ii) Principal Place of Business and Country of Incorporation:

Dartina was incorporated in Hong Kong, and the principal place of business for Dartina and its subsidiaries is 68 Orchard Road, B1-10 Plaza Singapura, Singapore.

11 INVESTMENTS – EQUITY-ACCOUNTED (continued)

(a) Detailed information: Dartina Development Limited (“Dartina”): (continued)

(iii) Dividends Received:

In the year ended 30 June 2017, the VRL group received A\$22.0 million (2016: A\$7.5 million) in dividends from Dartina.

	2017 \$'000	2016 \$'000
(iv) Summarised Financial Information (at 100%):		
Current assets	–	43,272
Non-current assets	–	64,940
Current liabilities	–	53,217
Non-current liabilities	–	11,797
Equity	–	43,198
Asset held for sale	11,839	–
Amount included in accumulated Other Comprehensive Income	(2,549)	–
Carrying value of investment	–	21,002
	11 months ended 31 May 2017 \$'000	Year ended 30 June 2016 \$'000
Total income	133,523	154,196
Operating profit after tax – continuing operations	16,770	23,357
Total operating profit after tax	16,770	23,357
Other Comprehensive (Expense) Income	(915)	1,389
Total Comprehensive Income	15,855	24,746
Equity-accounted share of Dartina’s profit after tax	8,385	11,678

(b) Detailed information: Village Roadshow Entertainment Group business (“VREG”) consisting of Entertainment Group Holdings Limited (previously Village Roadshow Entertainment Group Limited) and Village Roadshow Entertainment Group (BVI) Limited:

(i) Nature of Relationship and Ownership Percentage:

Prior to the most recent restructuring in April 2017, the VRL group was the largest shareholder in VREG, with 50.17% (2016: 50.17%) of the ordinary shares of VREG. VREG is classified as an associate for accounting purposes.

The VREG Board is the ultimate decision-making body of VREG, however the provisions of the VREG Shareholders Agreement provide that most decisions regarding relevant activities of VREG are recommended to the Board by an advisory committee established under the Shareholders Agreement (“Advisory Committee”). The VRL group did not have control of either the VREG Board or Advisory Committee. Based on this, it had been determined that the VRL group did not control VREG in accordance with AASB 10: *Consolidated Financial Statements*, however the VRL group did have significant influence over VREG in accordance with AASB 128: *Investments in Associates and Joint Ventures*.

Therefore, the investment in VREG was equity-accounted, and as a result of the significant negative net asset position of VREG, the carrying value of the net investment had been written down to nil due to the recognition of accumulated losses, so that the VRL group had no carrying value for accounting purposes. Following a further restructuring of VREG, the VRL group contributed USD 15 million (A\$20.0 million) of subordinated debt in September 2015, and as a result of VREG’s significant negative net asset position, this additional net investment was immediately written off due to equity accounting requirements.

As previously disclosed in the 30 June 2016 financial report, during the year ended 30 June 2017, the VRL group contributed an additional USD 5 million of subordinated debt funding to VREG. This additional net investment by the VRL group has also been immediately written off due to equity accounting requirements, resulting in an equity-accounted loss after tax of A\$6.6 million in the year ended 30 June 2017 (included in material items of income and expense in the Reconciliation of Results contained in the Directors’ Report).

As advised to the Australian Securities Exchange on 20 April 2017, there was a further restructuring of VREG, which resulted in the VRL group reducing its ordinary shareholding in the ongoing VREG group to 20%, and retaining USD 10 million of subordinated notes (ranking in priority to the ordinary equity of VREG), repayable by November 2022, with a non-cash return of 15.5%. VRL retains its shareholding of 50.17% in the dormant former parent entity, which has been renamed from Village Roadshow Entertainment Group Limited to Entertainment Group Holdings Limited.

VREG continues to be classified as an associate for accounting purposes, and it is noted that all VREG debt is non-recourse to the VRL group. The VRL group results only include interest or dividends received in cash from VREG, and in the year ended to 30 June 2017, cash interest of A\$0.7 million was received from VREG and included in equity accounted results (2016: A\$0.8 million), and no cash dividends were received in either the current or previous corresponding periods.

(ii) Principal Place of Business and Country of Incorporation:

Entertainment Group Holdings Limited and Village Roadshow Entertainment Group (BVI) Limited were incorporated in the British Virgin Islands, and their principal place of business is Road Town, Tortola, British Virgin Islands.

(iii) Dividends Received:

In the year ended 30 June 2017, the VRL group did not receive any dividends from VREG (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

11 INVESTMENTS – EQUITY-ACCOUNTED (continued)

(b) Detailed information: Village Roadshow Entertainment Group business (“VREG”) consisting of Entertainment Group Holdings Limited (previously Village Roadshow Entertainment Group Limited) and Village Roadshow Entertainment Group (BVI) Limited: (continued)

	2017 \$'000	2016 \$'000
(iv) Summarised Financial Information (at 100%):		
Current assets	93,852	106,794
Non-current assets	280,228	311,705
Current liabilities	108,439	179,290
Non-current liabilities	1,386,606	1,391,761
Equity (deficiency)	(1,120,965)	(1,152,552)
Carrying value of investment	-	-
Total income	271,856	277,054
Operating loss after tax – continuing operations	(153,207)	(216,091)
Operating profit after tax – discontinued operations	-	-
Total operating loss after tax	(153,207)	(216,091)
Other Comprehensive income	332	1,397
Total Comprehensive expense	(152,875)	(214,694)
Equity-accounted share of VREG’s loss after tax (2017: 20% and 2016: 50.17%)	(5,929)	(19,204)
Cumulative unrecognised share of VREG’s losses after income tax due to discontinuation of equity method (2017: 50.17%/20% and 2016: 50.17%)	(334,903)	(487,114)

The summarised financial information shown above is based on the unaudited management accounts of VREG, as the audited accounts are not yet available. All VREG debt is non-recourse to the VRL group.

(c) Detailed information: FilmNation Entertainment LLC (“FilmNation”):

(i) Nature of Relationship and Ownership Percentage:

The VRL group owns 31.03% of the ordinary shares in FilmNation. FilmNation is classified as an associate for accounting purposes.

(ii) Principal Place of Business and Country of Incorporation:

FilmNation was incorporated in the United States of America, and the principal place of business for FilmNation and its subsidiaries is 150 West 22nd Street, 9th Floor, New York, USA.

(iii) Dividends Received:

In the year ended 30 June 2017, the VRL group did not receive any dividends from FilmNation (2016: Nil).

	2017 \$'000	2016 \$'000
(iv) Summarised Financial Information (at 100%):		
Current assets	66,633	106,800
Non-current assets	16,721	9,606
Current liabilities	23,649	9,921
Non-current liabilities	9,312	72,930
Equity	50,393	33,555
Carrying value of investment	29,254	27,297
Total income	137,682	17,251
Operating profit after tax – continuing operations	10,367	3,619
Operating profit after tax – discontinued operations	-	-
Total operating profit after tax	10,367	3,619
Other Comprehensive Income	-	-
Total Comprehensive Income	10,367	3,619
Equity-accounted share of FilmNation’s profit after tax	3,217	1,123

The summarised financial information shown above is based on the unaudited management accounts of FilmNation, as the audited accounts for FilmNation are prepared as at 31 December each year.

11 INVESTMENTS – EQUITY-ACCOUNTED (continued)

(d) Detailed information: iPic-Gold Class Entertainment LLC (“IGCE”):

(i) Nature of Relationship and Ownership Percentage:

The VRL group owns 28.01% (2016: 30%) of the ordinary shares in IGCE. IGCE is classified as an associate for accounting purposes.

(ii) Principal Place of Business and Country of Incorporation:

IGCE was incorporated in the United States of America, and the principal place of business for IGCE is 433 Plaza Real, Suite 335, Boca Raton, Florida, USA.

(iii) Dividends Received:

In the year ended 30 June 2017, the VRL group did not receive any dividends from IGCE (2016: Nil).

	2017 \$'000	2016 \$'000
(iv) Summarised Financial Information (at 100%):		
Current assets	11,693	20,928
Non-current assets	200,537	183,224
Current liabilities	99,343	109,137
Non-current liabilities	243,843	193,874
Equity (deficiency)	(130,956)	(98,859)
Carrying value of investment	-	-
Total income	173,412	149,093
Operating loss after tax – continuing operations	(47,658)	(38,331)
Operating profit after tax – discontinued operations	-	-
Total operating loss after tax	(47,658)	(38,331)
Other Comprehensive Income	-	-
Total Comprehensive Expense	(47,658)	(38,331)
Equity-accounted share of IGCE’s loss after tax	(19,196)	(2,451)
Cumulative unrecognised share of IGCE’s losses after income tax due to discontinuation of equity method	(14,955)	(23,056)

The summarised financial information shown above is based on the unaudited management accounts of IGCE, as the audited accounts for IGCE are prepared as at 31 December each year.

As previously disclosed in the 30 June 2016 financial report, during the year ended 30 June 2017, the VRL group contributed additional subordinated debt funding totalling USD 14.3 million to IGCE, which may be converted into equity. As a result of IGCE’s negative net asset position, these additional net investment amounts have been immediately written off due to equity accounting requirements, resulting in an equity-accounted loss after tax of A\$19.2 million (included in material items of income and expense in the Reconciliation of Results contained in the Directors’ Report).

VRL has provided a financial guarantee of USD 24.2 million to support the financing of IGCE and its associates (refer Note 22(a)(v) regarding contingent liabilities). There is no other recourse to the VRL group.

(e) Aggregated information – other equity-accounted investments:

	2017 \$'000	2016 \$'000
(i) Aggregated financial information – other equity-accounted investments:		
Carrying value of investment	783	6
Share of operating profit (loss) after tax	26	(316)
Share of other Comprehensive Income	-	-
Share of Total Comprehensive Income (Expense)	26	(316)

(f) Contingent liabilities of equity-accounted investments:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

12 INTERESTS IN JOINT OPERATIONS

Names and principal activities of joint operations, and the percentage interest held by entities in the Group in those joint operations:

NAME	PRINCIPAL ACTIVITY	% INTEREST HELD 2017	% INTEREST HELD 2016
Australian Theatres	Multiplex cinema operator	50.00%	50.00%
Browns Plains Multiplex Cinemas	Multiplex cinema operator	50.00%	50.00%
Carlton Nova/Palace	Cinema operator	25.00%	25.00%
Castle Towers Multiplex Cinemas	Multiplex cinema operator	50.00%	50.00%
Loganholme Cinemas	Cinema operator	50.00%	50.00%
Morwell Multiplex Cinemas	Cinema operator	75.00%	75.00%
Mt. Gravatt Multiplex Cinemas	Cinema operator	33.33%	33.33%
TG-VR Australia	Sports entertainment operator	66.67%	-
Village/GUO/BCC Cinemas	Cinema operator	50.00%	50.00%
Village/Sali Cinemas Bendigo	Cinema operator	50.00%	50.00%
Village Warrnambool Cinemas	Cinema operator	50.00%	50.00%
Werribee Cinemas	Cinema operator	50.00%	50.00%

There were no impairment losses in the joint operations.

13 SUBSIDIARIES

NAME	COUNTRY OF INCORPORATION ¹	% OWNED 2017	% OWNED 2016
Countrywide Property Investments (UK) Limited	United Kingdom	80.00%	80.00%
DEG Holdings Pty. Limited	Australia	100.00%	100.00%
Edge Loyalty Systems Pty. Limited	Australia	100.00%	100.00%
Edge Loyalty Europe Limited (previously called Edge Loyalty UK Limited)	United Kingdom	80.00%	80.00%
Edge UK Holdings Limited	United Kingdom	100.00%	100.00%
Entertainment of The Future Pty. Limited	Australia	100.00%	100.00%
Harvest Family Entertainment Arizona LLC	United States	100.00%	100.00%
Movie World Holdings Joint Venture	Australia	100.00%	100.00%
MyFun Pty. Limited	Australia	100.00%	100.00%
Opia International (UK) Limited	United Kingdom	80.00%	80.00%
Opia Limited	United Kingdom	80.00%	80.00%
Opia LP	United States	80.00%	80.00%
Opia Russia Limited	Russia	80.00%	80.00%
Opia US Inc.	United States	80.00%	80.00%
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 Pay Movies Pty. Limited	Australia	100.00%	100.00%
Roadshow Productions Pty. Limited	Australia	100.00%	100.00%
Roadshow Television Pty. Limited	Australia	100.00%	100.00%
Roadshow Unit Trust	Australia	100.00%	100.00%
RPRD #1 Pty. Limited ²	Australia	99.00%	-
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%
Sinclud Investments Pty. Limited	Australia	100.00%	100.00%
Summit Digital Limited	United Kingdom	80.00%	80.00%
The Waterpark LLC	United States	50.09%	50.09%
The Waterpark Management LLC	United States	50.00%	50.00%
Village Cinemas Australia Pty. Limited	Australia	100.00%	100.00%
Village Golf Holdings Pty. Limited ²	Australia	100.00%	-
Village Online Investments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow (Fiji) Limited	Fiji	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 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 Group Services Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Hainan Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Holdings Hong Kong Limited	Hong Kong	100.00%	100.00%
Village Roadshow Holdings Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Intensity Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Investments Holdings USA Inc.	United States	100.00%	100.00%
Village Roadshow IP Pty. Limited	Australia	100.00%	100.00%

13 SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION ¹	% OWNED 2017	% OWNED 2016
Village Roadshow Leisure Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures International Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures Television Pty. Limited	Australia	100.00%	100.00%
Village Roadshow 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 Operations (Hainan) Limited	China	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%
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 Leisure Holdings Pty. Limited	Australia	100.00%	100.00%
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	Australia	100.00%	100.00%
WB Properties Australia Pty. Limited	Australia	100.00%	100.00%
Wet'n'Wild Sydney 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.

2 Entity purchased or incorporated during the year.

	2017 \$'000	2016 \$'000
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14 PROPERTY, PLANT & EQUIPMENT

Land:

At cost	34,413	34,534
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Buildings & improvements:

At cost	140,625	112,410
Less depreciation and impairment	(41,228)	(33,014)
	99,397	79,396

Capital work in progress:

At cost less impairment	15,919	25,318
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Leasehold improvements:

At cost	334,301	325,701
Less amortisation and impairment	(167,246)	(123,391)
	167,055	202,310

Plant, equipment & vehicles:

At cost	731,846	712,879
Less depreciation and impairment	(432,817)	(367,618)
	299,029	345,261
	615,813	686,819

(a) Reconciliations

Land:

Carrying amount at beginning	34,534	34,418
Net foreign currency movements arising from investments in foreign operations	(121)	116
Carrying amount at end	34,413	34,534

Buildings & improvements:

Carrying amount at beginning	79,396	63,993
Additions/transfers	24,618	18,040
Net foreign currency movements arising from investments in foreign operations	(528)	467
Disposals	-	(4)
Depreciation expense	(4,089)	(3,100)
Carrying amount at end	99,397	79,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
14 PROPERTY, PLANT & EQUIPMENT <small>(continued)</small>		
(a) Reconciliations <small>(continued)</small>		
Capital work in progress:		
Carrying amount at beginning	25,318	24,912
Additions	17,483	14,320
Net foreign currency movements arising from investments in foreign operations	(10)	34
Disposals	(8,653)	-
Impairment ¹	-	(312)
Transfers	(18,219)	(13,636)
Carrying amount at end	15,919	25,318
Leasehold improvements:		
Carrying amount at beginning	202,310	193,898
Additions/transfers	14,878	20,190
Acquisitions	-	260
Net foreign currency movements arising from investments in foreign operations	(1)	1
Impairment ¹	(37,460)	-
Disposals	(97)	(24)
Amortisation expense	(12,575)	(12,015)
Carrying amount at end	167,055	202,310
Plant, equipment & vehicles:		
Carrying amount at beginning	345,261	339,864
Additions/transfers	23,632	45,602
Acquisitions	-	603
Impairment ¹	(29,179)	(145)
Net foreign currency movements arising from investments in foreign operations	(508)	636
Disposals	(339)	(263)
Depreciation expense	(39,838)	(41,036)
Carrying amount at end	299,029	345,261

1 Impairment losses for property, plant & equipment of \$66.6 million were recognised for continuing operations in the year ended 30 June 2017 (2016: \$0.5 million), of which \$66.5 million (2016: Nil) related to the Theme Parks segment, and \$0.1 million (2016: \$0.5 million) related to the Cinema Exhibition segment. In addition, impairment losses on intangible assets including brand names of \$3.4 million, and software and other of \$1.1 million, were recognised in the year ended 30 June 2017, also relating to the Theme Parks segment. Impairment losses were recognised following the tragic incident at a competitor park in the Gold Coast and the significant impact this had on the financial performance of the Gold Coast Theme Parks and Wet'n'Wild Sydney. Refer to note 9 for further information.

For the relevant Theme Parks assessments, the pre-tax discount ranges used were 10.2% to 11.1% for the Wet'n'Wild Sydney assessment and 10.6% to 11.6% for the Gold Coast Theme Parks assessment and the recoverable amounts were based on fair value less costs of disposal. Cash flows beyond five years were extrapolated using a terminal growth rate of 3.0%, and the latest updated forecasts were used in the impairment review, which were lower than the forecasts included in the latest five year plan due to the relevant underlying financial performance being lower than expected. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants. Under the fair value hierarchy, level 3 inputs were used, and the impairment losses have been disclosed in Note 2(d) for 2017.

Sensitivity to changes in assumptions:

With regard to the assessment of recoverable amount of property, plant & equipment for CGU's within the Cinema Exhibition, Film Distribution and Marketing Solutions segments, the Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to exceed recoverable amounts. Following the impairment noted above, it is also noted that if the recovery of earnings at the Gold Coast Theme Parks and Wet'n'Wild Sydney is lower than currently forecast, there may be a risk of further impairment.

	2017 \$'000	2016 \$'000
15 TRADE AND OTHER PAYABLES		
Current:		
Trade and sundry payables	262,956	258,697
Non-current:		
Trade and sundry payables	29,040	46,648
Owing to other	2,307	388
	31,347	47,036

For terms and conditions refer to Note 30(c)(ii).

2017	2016
\$'000	\$'000

16 INTEREST BEARING LOANS AND BORROWINGS

Current:

Secured borrowings	1,072	1,115
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Non-current:

Secured borrowings	626,418	597,942
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Terms and conditions relating to the above financial instruments:

The VRL group finance facility is fully revolving, with no scheduled or conditional amortisation payments, and comprises two tranches of \$480 million and \$170 million (2016: \$480 million and \$320 million) which expire in December 2019 and December 2020, respectively. The finance facility is subject to interest at variable interest rates (however the VRL group has interest rate hedging in place over a proportion of the debt), and is secured by equitable share mortgages over certain subsidiary and associate holding companies, and by guarantees from VRL and various wholly-owned subsidiaries.

The finance facility requires the Group to meet certain debt covenants. The Group is in compliance with these covenants at 30 June 2017. The ability to maintain compliance at future dates may be dependent on potential asset sales, including the sale of the Group's 50% stake in the Singapore Cinema Exhibition business, which is well advanced, and the potential sale and leaseback of freehold land at the theme park operations in Queensland. The Group expects these transactions to complete in a timeframe that will allow the VRL group to maintain compliance with these debt covenants.

2017	2016
\$'000	\$'000

17 PROVISIONS

Current:

Employee benefits	30,063	31,531
Other	1,807	9,159
	31,870	40,690

Non-current:

Employee benefits	1,133	972
Make good provision	4,463	4,376
Other	3,354	3,376
	8,950	8,724

Employee benefit liabilities:

Provision for employee benefits -		
Current	30,063	31,531
Non-current	1,133	972
Aggregate employee benefit liabilities	31,196	32,503

(a) Reconciliations

Make good provision:

Carrying amount at the beginning of the financial year	4,376	3,730
Amounts added during the year	-	756
Amounts utilised or written back during the year	-	(182)
Discount adjustment	87	72
Carrying amount at the end of the financial year	4,463	4,376

Other provisions:

Carrying amount at the beginning of the financial year	12,535	10,416
Increase in provision	558	2,445
Amounts acquired during the year	-	57
Amounts utilised or written back during the year	(7,932)	(383)
Carrying amount at the end of the financial year	5,161	12,535

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. Make good provisions are also recognised in relation to the likely closure of rides/attractions in the Theme Parks division. 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 in the prior year mainly comprised an onerous lease provision, with the balance relating to various other matters. During the year ended 30 June 2017, the onerous lease provision of \$7.5 million was reversed (refer note 22(a)(iv) and material items of income and expense in Reconciliation of Results contained in Directors' Report).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
18 OTHER LIABILITIES		
Current:		
Unearned revenue	59,528	60,360
Non-current:		
Unearned revenue	12,674	13,222
Other	613	-
	13,287	13,222

19 CONTRIBUTED EQUITY

Issued and fully paid up capital:

Ordinary shares	244,421	241,100
Employee share loans deducted from equity ¹	(19,245)	(16,866)
	225,176	224,234

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. For allotments from 1 July 2016, the loan interest rate is 25 cents per share.

Ordinary Shares:

During the 2017 and 2016 years, movements in fully paid ordinary shares on issue were as follows:

	CONSIDERATION		NO. OF SHARES	
	2017 \$'000	2016 \$'000	2017 Thousands	2016 Thousands
Beginning of the financial year	241,100	237,580	161,104	160,229
Allotment – September 2015 at \$7.01 – Directors' Share Plan	-	40	-	6
Allotment – October 2015 at \$7.37 – Executive Share Plan	-	737	-	100
Allotment – December 2015 at \$6.81 – Directors' Share Plan	-	36	-	5
Share issue on exercise of options – March 2016 at \$3.51	-	2,633	-	750
Allotment – March 2016 at \$5.21 – Directors' Share Plan	-	37	-	7
Allotment – June 2016 at \$5.27 – Directors' Share Plan	-	37	-	7
Allotment – September 2016 at \$4.66 – Directors' Share Plan	38	-	8	-
Allotment – September 2016 at \$4.72 – Executive Share Plan	2,195	-	465	-
Allotment – December 2016 at \$4.44 – Executive Share Plan	906	-	204	-
Allotment – December 2016 at \$4.37 – Directors' Share Plan	38	-	9	-
Allotment – March 2017 at \$3.49 – Directors' Share Plan	72	-	21	-
Allotment – June 2017 at \$3.70 – Directors' Share Plan	72	-	19	-
End of the financial year	244,421	241,100	161,830	161,104

Issued Options:

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, with 1,500,000 options being exercisable at an exercise price of \$3.76 per share not earlier than 1 March 2016; 1,500,000 options being exercisable at an exercise price of \$3.76 per share not earlier than 1 March 2017; and 1,500,000 options being exercisable at an exercise price of \$3.76 per share not earlier than 1 March 2018. Following the \$0.25 reduction of share capital approved by shareholders at the Annual General Meeting in November 2013, the exercise price of these options was reduced to \$3.51 per share, effective from 31 December 2013. 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. 750,000 first tranche options and 750,000 second tranche options have lapsed as a result of the 4% EPS Compound Annual Growth Rate hurdle not being achieved. In March 2016, 750,000 of the remaining first tranche options were exercised at a price of \$3.51 per share. 750,000 second tranche options due to vest on 1 March 2017 vested as the DPS CAGR hurdle was met, and remain unexercised at 30 June 2017. The names of all persons who currently hold options are entered in the register kept by the Company, which may be inspected free of charge.

As at 30 June 2017, the details of outstanding options over ordinary shares were as follows:

Number of options	Expiry date	Exercise price per option
750,000	1 March 2019	\$3.51
1,500,000	1 March 2019	\$3.51

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

Terms and conditions of contributed equity

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.

19 CONTRIBUTED EQUITY (continued)

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 2017 and 2016 were as follows:

	2017 \$'000	2016 \$'000
Total borrowings	627,490	599,057
Less cash and cash equivalents	(100,400)	(64,338)
Net debt	527,090	534,719
Total equity	400,132	480,359
Total capital	927,222	1,015,078
Gearing ratio	57%	53%

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

	2017 \$'000	2016 \$'000

20 RESERVES AND RETAINED EARNINGS

Foreign currency translation reserve:

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and on equity-accounted investments.

Balance at beginning of year	(3,800)	(2,509)
Amount relating to translation of accounts and net investments before tax effect	(4,740)	(1,375)
Tax effect of relevant movements for year	4,891	84
Balance at end of year	(3,649)	(3,800)

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	(3,743)	851
Movement on effective hedging instruments during the year before tax effect	1,755	(6,563)
Tax effect of movement on effective hedging instruments during the year	(717)	1,969
Balance at end of year	(2,705)	(3,743)

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	12,830	11,939
Share-based payment movements	414	891
Balance at end of year	13,244	12,830

Controlled entity acquisition reserve:

This reserve represents the incremental amount for the put and call options over the remaining 20% non-controlling interest in Countrywide Property Investments (UK) Limited and subsidiaries ("Opia").

Balance at beginning of year	(15,566)	-
Acquisition of Opia	-	(15,794)
Net foreign currency movement	-	8
Change in fair value	6,710	220
Balance at end of year	(8,856)	(15,566)

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	89,852	81,539
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
20 RESERVES AND RETAINED EARNINGS (continued)		
Retained earnings:		
Balance at the beginning of year	159,564	188,887
Net (loss) profit attributable to members of VRL	(66,718)	15,663
Total available for appropriation	92,846	204,550
Dividends and distributions provided or paid	(22,556)	(44,986)
Balance at end of year	70,290	159,564

21 NON-CONTROLLING INTEREST

Non-controlling interest in subsidiaries:

Contributed equity/other	17,263	17,880
Retained earnings	(2,449)	(2,858)
	14,814	15,022

22 CONTINGENCIES

(a) Contingent liabilities

Best estimate of amounts relating to:

(i) Joint and several obligations for operating lease commitments of partners in joint operations ¹	8,140	10,033
(ii) Corporate guarantees for commitments of subsidiaries	132	132
	8,272	10,165

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

(iii) Other contingent liabilities – Income Tax:

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

As disclosed in Note 22(a)(iv) in the 30 June 2016 financial report, and as updated in the 31 December 2016 half-year financial report, following a Client Risk Review, the Australian Taxation Office ("ATO") advised in July 2016 that a Tax Audit was to be carried out in relation to the VRL Tax Consolidated group, covering the financial years from 2012 to 2015.

VRL has provided information as requested by the ATO to date. VRL does not currently believe that any material impact will result from the Tax Audit.

(iv) Belfast Rent Dispute:

As disclosed in Note 22(a)(v) in the 30 June 2016 financial report, Village Theatres 3 Limited ("VT3"), a wholly-owned subsidiary in the VRL group, was continuing to take action against its landlord seeking damages. The landlord was also seeking payment of unpaid rent, which had been fully accrued in VT3's accounts.

In July 2017, this matter was settled by VT3, and the long-term lease was terminated and replaced by a short-term licence agreement. As a result, the onerous lease provision has been reversed (refer material items of income and expense in the Reconciliation of Results contained in the Directors' Report).

(v) Guarantee issued in relation to Associate:

As disclosed in Note 22(a)(vi) in the 30 June 2016 financial report, VRL has procured a bank guarantee to support the financing of an associated entity, VR iPic Finance LLC ("VRIF"), in which the VRL group has a 42.86% (3/7th) interest. VRIF has obtained debt financing to contribute funds to iPic-Gold Class Entertainment LLC ("IGCE"), which is also an associated entity of VRL. Another shareholder of IGCE is also providing guarantee support to VRIF. VRL's guarantee exposure in relation to VRIF is USD 24.2 million.

(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:

	2017 \$'000	2016 \$'000
(i) Right of recourse in relation to joint and several obligations for operating lease commitments of partners in joint operations ¹	8,140	10,033

¹ Refer Note 22(a)(i) for corresponding amount reflecting the related contingent liabilities.

23 COMMITMENTS

(a) Operating leases

The Group has entered into commercial leases for cinemas, offices and other operational location sites. The lease commitments schedule below includes cinema and office leases with terms of up to 15 years, however it does not include terms of renewal. In general, cinema and office 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 40 years, and the Wet'n'Wild Sydney ground lease, which has a remaining term of 46 years.

23 COMMITMENTS (continued)

(a) Operating leases (continued)

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

	2017 \$'000	2016 \$'000
(i) Operating leases – Minimum lease payments:		
Payable within 1 year	46,858	47,370
Payable between 1 and 5 years	139,575	151,393
Payable after 5 years	245,225	244,659
	431,658	443,422
(ii) Operating leases – Percentage based lease payments:¹		
Payable within 1 year	5,444	5,914
Payable between 1 and 5 years	19,544	20,667
Payable after 5 years	24,560	28,328
	49,548	54,909
Total operating lease commitments	481,206	498,331

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 threshold. 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.

	2017 \$'000	2016 \$'000
(b) Other expenditure commitments		
Estimated capital and other expenditure contracted for at reporting date but not provided for:	27,801	33,625

24 KEY MANAGEMENT PERSONNEL DISCLOSURES

Detailed remuneration disclosures of the Key Management Personnel ("KMP") of Village Roadshow Limited and the 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 is set out below:

	VILLAGE ROADSHOW LIMITED AND THE GROUP	
	2017 \$	2016 \$
Short-Term	8,147,420	10,673,268
Post-Employment	228,597	222,190
Other Long-Term	(330,093)	302,308
Sub-totals	8,045,924	11,197,766
Share-based Payment	111,422	497,738
Totals	8,157,346	11,695,504

(b) Other transactions and balances with Key Management Personnel

Peninsula Cinemas Pty. Ltd. ("Peninsula Cinemas"), which are non-competing cinemas owned by an entity associated with Mr. R.G. Kirby, exhibit films supplied by the Film Distribution division of the VRL group on arm's length terms and conditions. The total amount charged by the VRL group for the year ended 30 June 2017 was \$306,327 (2016: \$240,290). In addition, Peninsula Cinemas received amounts from external parties on behalf of the VRL group, which were then paid to the VRL group, which in the year ended 30 June 2017 totalled Nil (2016: \$222,067). Other net reimbursement amounts paid by Peninsula Cinemas to the VRL group in relation to operational cinema matters in the year ended 30 June 2017 totalled \$21,006 (2016: \$5,558).

The VRL group 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 \$366,693 for the year ended 30 June 2017 (2016: \$330,540). The wine purchased was mainly for the Cinema Exhibition division's Gold Class cinemas and for Corporate functions. These transactions were carried out under arm's length terms and conditions.

The VRL group purchased swimwear from Garyson Nominees Pty. Ltd., an entity associated with Mr. G.W. Burke. The total purchases were \$8,619 for the year ended 30 June 2017 (2016: \$31,300). The swimwear was purchased on an arm's length basis as merchandise for resale by the Theme Parks division.

The Film Distribution division of the VRL group distributes a number of older film titles in which Village Roadshow Corporation Pty. Ltd. ("VRC"), the Company's immediate parent entity, has economic interests. During the year ended 30 June 2017, \$6,185 of film royalties (2016: \$53,086 relating to accumulated film royalties for the period from July 2006 to December 2015) were paid to VRC.

The VRL group recharged occupancy costs and other net recharges for services provided and received, on an arm's 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 2017 was \$180,292 (2016: \$149,417).

As at 30 June 2017, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was \$55,418 (2016: \$19,405), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was \$7,652 (2016: \$8,112).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

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 current and prior periods the consolidated entity had two 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; and
2. The 2012 Option Plan over ordinary shares to the Company's CEO ("2012 OP").

At 30 June 2017 both the ESP and 2012 OP remain in operation.

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. From 1 July 2016, the vesting of ESP shares is subject to meeting total shareholder return performance hurdles, further aligning the interest of executives with 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 Company's CEO in the 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 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 shares to relevant employees of the consolidated entity and significant associated entities. Directors of the Company are not eligible to participate in the ESP.

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.

The ESP was further amended with effect from 1 July 2016 with the loan bearing interest at the rate of twenty five cents per share and the vesting of ESP shares being subject to a performance hurdle of total shareholder return relative to the Company's peers.

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 have been referred to as 'in substance options', even though the equity instrument itself is not an option.

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 \$89,043 for the 2017 financial year (2016: \$200,837).

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 \$55,675 for the 2017 financial year (2016: \$111,773).

On 29 November 2012, 300,000 ordinary shares were allotted under the ESP to Ms. J.E. Raffae. 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 \$31,730 for the 2017 financial year (2016: \$61,859).

25 SHARE-BASED PAYMENT PLANS (continued)

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

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

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 \$27,745 for the 2017 financial year (2016: \$54,090).

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 \$47,275 for the 2017 financial year (2016: \$90,841).

On 29 June 2015, 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: \$6.56;
- Expected volatility: 30% - based on historical volatility;
- Risk-free interest rate: 2.72% - 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 \$1.30.

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$237,611 for the 2017 financial year (2016: \$237,611).

On 23 October 2015, 100,000 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: \$7.37;
- Expected volatility: 30% - based on historical volatility;
- Risk-free interest rate: 2.41% - 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 \$1.69.

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$44,128 for the 2017 financial year (2016: \$30,345).

On 16 September 2016, 465,000 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: \$4.70;
- Expected volatility: 30% - annualised based on historical volatility;
- Risk-free interest rate: 2.02% - 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' were \$0.60 for tranche 1, \$0.62 for tranche 2 and \$0.64 for tranche 3 being the 3 years in which they are capable of being exercised.

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$59,072 for the 2017 financial year (2016: Nil).

On 2 December 2016, 204,000 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: \$4.35;
- Expected volatility: 30% - annualised based on historical volatility;
- Risk-free interest rate: 2.75% - 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' were \$0.47 for tranche 1, \$0.54 for tranche 2 and \$0.58 for tranche 3 being the 3 years in which they are capable of being exercised.

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$16,040 for the 2017 financial year (2016: 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) 2012 Option Plan over ordinary shares to the Company'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. Following the \$0.25 reduction of share capital approved by shareholders at the Annual General Meeting on 29 November 2013, the exercise price of the options was reduced to \$3.51 per share, effective from 31 December 2013.

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. One and a half million options were eligible to vest during 2017 (2016: one and a half million options).

The earnings per share ("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 dividends per share ("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% Compound Annual 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

25 SHARE-BASED PAYMENT PLANS (continued)

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

(ii) 2012 Option Plan over ordinary shares to the Company's CEO ("2012 OP") (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:	Compound 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, 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.

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

	2017 Number	2017 WAEP - \$	2016 Number	2016 WAEP - \$
Outstanding at beginning of year	8,304,027	3.66	9,991,710	3.59
Granted during the year	669,000	4.63	100,000	7.37
Forfeited/lapsed during the year	(750,000)	3.51	(775,000)	3.50
Exercised during the year	(310,000)	3.14	(1,012,683)	3.21
Outstanding at the end of the year	7,913,027	3.78	8,304,027	3.66
Exercisable at the end of the year	3,809,028	3.19	3,167,361	3.13

(v) The outstanding balance as at 30 June 2017 is represented by:

Executive Share Plan and Loan Facility: 5,663,027 'in substance options' over ordinary shares in the Company with issue prices ranging from \$2.35 to \$7.37.

Option Plan for CEO: 2,250,000 options over ordinary shares in the Company exercisable at \$3.51 each with an expiry date of 1 March 2019.

750,000 first tranche options and 750,000 second tranche options have lapsed as a result of the 4% EPS CAGR hurdle not being achieved and 750,000 first tranche options vested and were exercised as the DPS CAGR hurdle was 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 a decrease in employee benefits expense of \$166,624 for the 2017 financial year due to the amortisation reversal of lapsed options (2016: increase of \$154,236).

(iii) Holdings of Executive Directors and Senior Managers

Other than the ESP issue on 16 September 2016 of 70,000 ordinary shares to Mr. A.W. Bennallack and on 2 December 2016 of 45,000, 37,500 and 36,500 ordinary shares to Ms. J.E. Raffe, and Messrs. C.J. Kirby and S.T. Phillipson respectively, there have been no allotments to KMP under any share-based payment plan during the year ended 30 June 2017 (2016: Nil).

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 the Remuneration Report section of the Directors' Report.

2017
\$

2016
\$

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 –

Ernst & Young (Australia) –

An audit or review of the financial report of VRL and any other entity in the VRL group	1,351,500	1,351,500
Other services in relation to VRL and any other entity in the VRL group:		
Tax	127,948	230,344
Advisory/Corporate Finance	70,025	307,347
Assurance related	33,405	88,105
	1,582,878	1,977,296

Auditors other than Ernst & Young (Australia) –

An audit or review of the financial report of any other entity in the VRL group	164,844	198,060
Other services in relation to any entity in the VRL group:		
Tax	165,358	98,030
Advisory/Corporate Finance	12,839	321,663
Assurance related	7,569	9,095
	350,610	626,848
	1,933,488	2,604,144

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, however it is noted that there are potential asset sales in progress, including the sale of the Group's 50% stake in the Singapore Cinema Exhibition business, which is well advanced, and the potential sale and long-term leaseback of the Group's freehold land at the Oxenford, Queensland site.

VILLAGE ROADSHOW LIMITED

2017
\$'000

2016
\$'000

28 PARENT ENTITY DISCLOSURES

(a) Summary financial information

Current assets	12,710	6,708
Total assets	686,937	435,042
Current liabilities	9,255	10,665
Total liabilities	160,294	126,754
Issued capital	225,176	224,234
Retained earnings	289,226	72,227
Employee equity benefit reserve	12,241	11,827
Total shareholders' equity	526,643	308,288
Profit (loss) after tax	239,554	(27,485)
Total comprehensive income (expense)	239,554	(27,485)

(b) Financial guarantees

Financial guarantees ¹	318	397
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(c) Franking credit balance

Amount of franking credits available as at year-end	939	3,816
Franking credit movements from refund of VRL's current tax amounts recorded at year-end	(10,545)	(4,783)
Franking debits that will arise after year-end, in relation to dividends paid or declared (as at the date of this report)	–	(9,666)
Amount of franking credits (deficit) available after adjusting for the above impacts	(9,606)	(10,633)

(d) Contingent liabilities

(i) Bank guarantees for commitments of subsidiaries	1,266	1,530
(ii) Several corporate guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	13,425	38,415
(b) Guarantees for joint operations	1,285	116
(iii) Other corporate guarantee commitments		
(a) Guarantees in respect of subsidiaries' commitments	4,900	4,900
	20,876	44,961

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).

30 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 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.

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	
	2017 \$'000	2016 \$'000
Financial assets: Cash and cash equivalents	100,400	64,338
Financial liabilities: Secured and unsecured borrowings	367,490	339,057
Net exposure	267,090	274,719

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, which is outstanding for more than three months from the original drawdown date, interest rate exposure will generally be hedged for a minimum of 50% of the outstanding debt balance for a minimum of 12 months or until termination of the loan, whichever is sooner.

At reporting date, various entities within the Group had entered into interest rate derivatives covering debts totalling \$260.0 million (2016: \$260.0 million). These interest rate derivatives covered approximately 41% (2016: 43%) of total borrowings of the Group as at reporting date. During the year ended 30 June 2017, the Group entered into a \$250 million interest rate cap which has an effective date from July 2017 as the existing interest rate derivatives mature in the 2018 financial year (2016: 2018 financial year). The interest rate derivatives have been designated in hedging relationships under Australian Accounting Standards.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. Sensitivity analysis for interest rate risk exposures has been calculated by estimating the impacts in value and timing based on financial models. The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date. A sensitivity of 100 basis points has been selected as this is deemed to be reasonably possible given the current level of both short-term and long-term Australian and USA interest rates.

At 30 June 2017 and 30 June 2016, 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)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Sensitivity analysis				
CONSOLIDATED				
If interest rates were 100 basis points higher with all other variables held constant	(3,724)	(3,778)	-	1,929
If interest rates were 100 basis points lower with all other variables held constant	3,724	3,778	-	(1,258)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

Foreign currency risk (continued)

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 2017 and 30 June 2016, 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 2017 and 30 June 2016, 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)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Sensitivity analysis				
CONSOLIDATED				
If foreign exchange rates were 10 per cent higher with all other variables held constant	-	-	(3,000)	(4,645)
If foreign exchange rates were 10 per cent lower with all other variables held constant	-	-	3,666	5,677

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.

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 creditworthy 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 2017, 0.2% (2016: 0.2%) 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 2017. 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 2017.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

Liquidity risk (continued)

	1 YEAR OR LESS		OVER 1 YEAR TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(i) Financial assets								
Cash	100,400	64,338	-	-	-	-	100,400	64,338
Receivables and other advances	128,300	158,876	18,300	15,254	-	-	146,600	174,130
Derivatives	47,479	77,978	-	308	-	-	47,479	78,286
Security deposits	-	-	244	205	-	-	244	205
Total financial assets	276,179	301,192	18,544	15,767	-	-	294,723	316,959
(ii) Financial liabilities								
Trade and other payables	262,956	258,697	31,347	47,036	-	-	294,303	305,733
Secured and unsecured borrowings	30,090	27,429	696,278	686,539	-	-	726,368	713,968
Derivatives	50,235	71,321	223	11,762	-	-	50,458	83,083
Total financial liabilities	343,281	357,447	727,848	745,337	-	-	1,071,129	1,102,784
Net maturity	(67,102)	(56,255)	(709,304)	(729,570)	-	-	(776,406)	(785,825)

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 \$30.0 million as at 30 June 2017 (2016: \$210.0 million), and \$30.0 million as at the date of this report.

(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 provision for impairment loss. A provision for impairment loss 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 – associates 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 either at cost or fair value.

(ii) Financial liabilities

Trade and sundry creditors:

Creditors are recognised at amounts to be paid in the future for goods and services already received, whether or not billed to the Group. They are non-interest bearing and are normally settled on 30-90 day terms.

Accounts payable – associated and other entities:

Amounts owing to associated and other entities are carried at the principal amount. Interest, when charged, is recognised in profit or loss on an accruals basis. There are no fixed settlement terms.

Secured and unsecured borrowings:

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised. Interest is recognised in profit or loss on an accrual basis. Bank loans are repayable either monthly or at other intervals, which in some cases are dependant on relevant financial ratios, 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 \$37,000 of finance leases (2016: \$126,000).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Recognised Financial Instruments (continued)

(ii) Financial liabilities (continued)

Interest rate caps and collars:

At reporting date, the Group had entered into an interest rate cap agreement which has an effective date from July 2017. This derivative will be 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 cap has been based on the underlying debt obligations, and closely matched 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.

(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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
CONSOLIDATED				
Financial assets:				
Cash	100,400	64,338	100,400	64,338
Trade and other receivables	146,600	174,130	146,600	174,130
Available for sale investments	407	720	407	720
Derivatives	94	1,260	94	1,260
Security deposits	244	205	244	205
Total financial assets	247,745	240,653	247,745	240,653
Financial liabilities:				
Trade and other payables	294,303	305,733	294,303	305,733
Secured and unsecured borrowings	627,490	599,057	618,213	590,644
Derivatives	3,053	6,608	3,053	6,608
Total financial liabilities	924,846	911,398	915,569	902,985

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 net fair values of the secured and unsecured borrowings are determined based on the weighted average market-based interest rates that are applicable to the borrowings.

The Group uses the following methods in calculating or estimating the fair value of a financial asset or financial liability:

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 or liability that are not based on observable market data.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Fair values (continued)

The fair value of the financial assets and financial liabilities as well as the methods used to estimate the fair value are summarised in the table below.

	2017			2016		
	Valuation technique – market observable inputs (Level 2) \$'000	Valuation technique – non market observable inputs (Level 3) \$'000	Total \$'000	Valuation technique – market observable inputs (Level 2) \$'000	Valuation technique – non market observable inputs (Level 3) \$'000	Total \$'000
Financial assets:						
Derivatives	94	–	94	1,260	–	1,260
Total	94	–	94	1,260	–	1,260
Financial liabilities:						
Secured and unsecured borrowings	618,213	–	618,213	590,644	–	590,644
Payables and accruals	–	9,218	9,218	–	15,830	15,830
Derivatives	3,053	–	3,053	6,608	–	6,608
Total	621,266	9,218	630,484	597,252	15,830	613,082

The net fair values of the financial instruments are determined using valuation techniques that utilise data from observable and unobservable market data. Assumptions are based on market conditions existing at each reporting date. The fair value is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve, which is independently derived. As a result, these derivatives have been classified based on the observable market inputs as Level 2.

The net fair values of the secured and unsecured borrowings are determined based on the weighted average market-based interest rates that are applicable to the borrowings. As a result, these borrowings have been classified based on the observable market inputs as Level 2.

Payables and accruals relate to the estimated put and call option liability over the remaining 20% non-controlling interest in Opia. The fair value of payable and accruals is determined using a discounted expected future financial performance based on terms of the sale contract and the knowledge of the business. As a result, payables and accruals have been classified based on non observable market inputs as Level 3.

An increase (decrease) in the future financial performance of Opia would result in higher (lower) fair value of the put and call option liability, while a significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the liability.

(e) Derivative financial instruments

	2017 \$'000	2016 \$'000
Current assets:		
Forward currency contracts – cash flow hedges	63	1,260
Interest rate cap – held for trading	31	–
	94	1,260
Current liabilities:		
Interest rate swap contracts – cash flow hedges	283	3,513
Forward currency contracts – cash flow hedges	2,743	2,019
	3,026	5,532
Non-current liabilities:		
Interest rate swap contracts – cash flow hedges	–	356
Forward currency contracts – cash flow hedges	27	720
	27	1,076

Instruments used by the Group

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. Refer Note 1(c)(ix).

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") agreements, which allow for the netting of relevant transactions which are to be settled at the same time, which does not occur regularly in practice. In certain situations, such as a default, all outstanding transactions under the relevant ISDA are able to be terminated, and a net amount for settlement determined. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position, due to no default having occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2017

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Derivative financial instruments (continued)

(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 2017 and 30 June 2016:

	NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE	
	2017 \$'000	2016 \$'000	2017	2016
Consolidated:				
USD hedges	(989)	509	0.7330	0.7339
GBP hedges	(684)	(615)	0.5126	0.5231
CAD hedges	–	4	–	0.9768
NZD hedges	(138)	(96)	1.0956	1.0818
EUR hedges	(896)	(1,281)	0.6162	0.6170

(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:

	2017 \$'000	2016 \$'000
0-1 years	(283)	(3,513)
1-2 years	–	(356)
	(283)	(3,869)

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.

31 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 (loss) profit before tax for the year:

	2017 \$'000	2016 \$'000
Management & service fee revenue – associates	709	685
Management & service fee revenue – other associated entities	171	178
Film hire and other film expenses (paid by the VRL group to entities in the Village Roadshow Entertainment Group business – refer Note 11(b))	18,175	19,183
Film hire and other film expenses (paid by the VRL group to FilmNation Entertainment LLC)	5,344	3,451

Receivables and payables

Any amounts receivable from, or payable to, associates 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 2017 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 year ended 30 June 2017.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'G.W. Burke', with a horizontal line underneath it.

G.W. Burke
Director

Melbourne, 22 September 2017

INDEPENDENT AUDITOR'S REPORT



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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VILLAGE ROADSHOW LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Village Roadshow Limited (the company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2017, 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.

In our opinion:

the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment assessment of goodwill, other intangible assets, film distribution royalties and property, plant & equipment

Why significant

At 30 June 2017 the Group carries material assets including goodwill, other intangible assets, film distribution royalties, and property, plant and equipment.

The Group performs an impairment assessment on an annual basis or when there is a trigger of impairment to assess whether the carrying values of these assets exceed their recoverable amounts. Material impairment charges were recognised in the Theme Parks and Film Distribution segments.

Our focus was assessing the quantum of the impairment charges recognised and determining whether or not a further impairment charge relating to these assets was required. This involved assessing the judgements inherent in the cash flow forecast and testing key assumptions supporting the impairment models such as forecast business growth rates, discount rates and terminal values assumptions.

Refer to Notes 9, 10 and 14 for disclosures relating to impairment charges recognised in the year ended 30 June 2017 and related disclosure in respect of the Group's impairment testing.

How the matter was addressed in the audit

- We evaluated the Group's cashflow forecasts supporting the impairment assessments for goodwill, other intangible assets, film distribution royalties and property, plant and equipment, and compared them to the FY18 Board-approved budget.
- We evaluated the appropriateness of the key assumptions in the forecasts and considered the historical reliability of the Group's cash flow forecasting process. We performed sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that would either individually or collectively result in an impairment charge.
- We assessed the discount rates applied by comparing them to the cost of capital for the Group and we also performed market capitalisation and earnings multiples cross checks in comparison with other comparable businesses, to corroborate the assumptions in the impairment testing models.
- We involved our valuation specialists to assess whether the methodology applied is in accordance with Australian Accounting Standard – AASB 136 *Impairment of Assets* and evaluated key assumptions including terminal values, long term growth rates, discount rates, capital expenditure assumptions and working capital requirements applied in the impairment models.
- We assessed the adequacy of the disclosures included in Notes 9, 10 and 14.

Revenue recognition

Why significant

The Group operates through four divisions, Theme Parks, Cinema Exhibition, Film Distribution and Marketing Solutions. Each of these divisions has specific sales models and contractual arrangements resulting in differing revenue recognition requirements under Australian Accounting Standards. This is significant to our audit due to the complexity and judgement involved across the Group's revenue streams. The key areas include:

- Theme Park sales revenue from admissions on season passes and other multi-use ticket sales are based on estimates of redemption rates and other assumptions. The method of estimating such revenues is judgemental and requires analysis of redemption rates based on historical and forecast usage patterns.
- Film Distribution revenue is derived from a range of sources including theatrical distribution, physical and digital entertainment sales, and television and subscription video-on-demand services. The division has multiple contractual arrangements with differing terms.
- The divisional arrangements for Cinema Exhibition are largely non-complex due to the cinema ticketing and additional sales revenues consumed within a short period of the transaction date. Revenue from advanced purchase tickets is deferred and recognised as the tickets are redeemed or expire.
- Marketing Solutions revenue is based on estimates of gift card and promotion redemption rates.

The Group's disclosures and the accounting policies are included in Notes 1(c)(iii) and 2 of the financial report.

How the matter was addressed in the audit

- We assessed and tested the design and operating effectiveness of relevant controls over revenue within each of the four operating divisions.
- We inspected the terms of significant sales contracts and assessed whether they were consistent with the revenue recognised by the Group.
- We agreed the data underlying the calculation of admission revenue to sales records and other systems having performed testing of the relevant controls.
- We performed analytical procedures using historical data to allow us to set expectations as to the level of redemptions, and compared this with the Group's estimate, obtaining explanations and examining evidence for significant differences. Further, we assessed the overall consistency of the assumptions and inputs to the calculation of estimated value of revenue.
- We also considered the adequacy of the Group's disclosures and the accounting policies included in Notes 1(c)(iii) and 2 of the financial report.

Interest bearing liabilities

Why significant

The Group held interest bearing liabilities of \$627.5 million at 30 June 2017. In relation to this portfolio, the Group incurred \$31.7 million in borrowing costs during the year which have been expensed.

The Group's banking arrangements include covenants that require monitoring of the Group's leverage and interest cover ratios.

Refer to Notes 1(c)(xxiii) and 16 of the financial report for a description of the accounting policy treatment for these liabilities and information of the Group's interest bearing liabilities.

How the matter was addressed in the audit

- We assessed and obtained an understanding of the process for recording and reporting of drawdowns and repayments, the valuation of interest bearing liabilities and the monitoring of compliance.
- We assessed the Group's compliance with the banking covenants, and the Group's maturity profile, to test the appropriate classification of the interest bearing liabilities as current or non-current.
- We confirmed all interest bearing liabilities directly with counterparties at 30 June 2017.
- We tested the calculation of interest recognised in the consolidated statement of comprehensive income.
- We assessed the disclosures included in Note 16 to the financial report.

Equity accounted investments

Why significant

The Group has equity accounted interests in a number of entities including the Village Roadshow Entertainment Group business ("VREG"), iPic-Gold Class Entertainment LLC ("iPic") and Dartina Development Ltd ("Dartina").

During the financial year ended 30 June 2017, the Group had transactions with each entity, which are disclosed as material items in the financial report.

The Group made capital contributions to both VREG and iPic which due to cumulative losses of the businesses, were impaired to nil and immediately recognised in the consolidated statement of comprehensive income as material items. VREG has subsequently been restructured to reduce the Group's equity interest to 20%.

The Group's investments in VREG and iPic continue to be equity-accounted, as the Group has determined that it does not control VREG or iPic, however the Group does have significant influence in accordance with Australian Accounting Standard – AASB 128 *Investments in Associates and Joint Ventures*. Refer to Note 11(b) and (d) of the financial report for a description of the accounting treatment adopted with relation to VREG and iPic respectively.

In relation to Dartina, the Group announced an intention to sell its 50% stake to a third party and classified its investment as held for sale under Australian Accounting Standard – AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* from 1 June 2017. Accordingly the Group ceased equity accounting for Dartina from this time. Refer to Note 11(a) of the financial report for a description of the accounting treatment adopted with relation to Dartina.

How the matter was addressed in the audit

- We evaluated the evidence available to assess whether the Group should be applying the equity method of accounting for the investments of VREG, iPic and Dartina.
- We evaluated the evidence supporting classifying the investment in Dartina as held for sale.
- We inspected the terms of contractual agreements supporting the transactions disclosed in note 11 of the financial report.
- For all capital contributions, we tested amounts on a sample basis to supporting documentation and cash payments made.
- We assessed the presentation of equity accounted investments and the related transactions in the financial report and assessed whether the disclosures were in accordance with the Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT (continued)



Information Other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in Village Roadshow Limited's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Director's Report that is to be included in the Annual Report prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors 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 control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Village Roadshow Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors 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.

Ernst & Young

David Shewring
Partner

Melbourne
22 September 2017

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 18 September 2017 and the number of ordinary shares held:

Name	Ordinary Shares	% of Total
Village Roadshow Corporation Pty Limited	68,363,136	42.66
Vijay Vijendra Sethu	9,948,235	6.24

Distribution of Security Holders as at 18 September 2017

Category of Holding	Number of Holders	%	Number of Shares	%
1 – 1,000	2,920	45.13	1,570,780	0.97
1,001 – 5,000	2,554	39.48	6,313,501	3.90
5,001 – 10,000	555	8.58	4,221,885	2.61
10,001 – 100,000	380	5.87	9,684,881	5.98
100,001 and over	61	0.94	140,058,562	86.54
Total	6,470	100.00	161,849,609	100.00

Number of holdings less than marketable parcel (137 shares)	338	17,258
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Voting Rights of Ordinary Shares

On a show of hands – one vote per every member present in person or by proxy. On a poll – one vote for every share held.

20 Largest Security Holders as at 18 September 2017

Name of Holder	Shares	%	Rank
Village Roadshow Corporation Pty Limited	65,960,636	40.75	1
HSBC Custody Nominees (Australia) Limited	24,191,841	14.95	2
Citicorp Nominees Pty Limited	15,597,855	9.64	3
J P Morgan Nominees Australia Limited	9,509,518	5.88	4
Ravenscourt Pty Ltd	2,825,502	1.75	5
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,612,452	1.61	6
Glenn Hargraves Investments Pty Ltd	1,597,000	0.99	7
National Nominees Limited <DB A/C>	1,534,815	0.95	8
CD Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	1,100,915	0.68	9
Mr John Kirby	932,500	0.58	10
BNP Paribas Noms Pty Ltd <DRP>	930,902	0.58	11
Buttonwood Nominees Pty Ltd	800,278	0.49	12
Mr Christopher B Chard	754,000	0.47	13
Mr Graham William Burke	750,000	0.46	14
National Nominees Limited	598,169	0.37	15
Mr Clark Kirby	537,500	0.33	16
Mr Joel Pearlman	525,000	0.32	17
Mr Kirk Edwards	485,000	0.30	18
Mr Leendert Hoeksema + Mrs Aaltje Hoeksema	460,000	0.28	19
Mr Andrew Roy Newbery Sisson	410,347	0.25	20
TOTAL	132,114,230	81.63	

ADDITIONAL INFORMATION (continued)

FIVE YEAR FINANCIAL SUMMARY – VRL GROUP

	2017	2016	2015	2014	2013
Operating Results – Continuing Operations (\$'000)					
Total revenue, excluding material items	998,120	1,039,865	967,625	939,170	908,475
EBITDA before material items	136,286	168,753	165,713	170,861	163,993
EBIT before material items	62,856	97,145	97,500	105,512	109,729
Net interest expense, excluding material items	30,064	27,839	26,317	26,064	27,722
Tax expense, excluding tax on material items	8,090	17,542	20,962	22,373	24,667
Net profit excluding material items attributable to members	23,606	50,865	50,075	56,456	57,187
Total dividends declared ¹	–	45,109	44,766	43,066	41,462
Statement of Financial Position (\$'000)					
Total shareholders' equity	400,132	480,359	525,643	521,310	572,078
Net borrowings	527,090	534,719	402,156	350,486	271,578
Funds employed	927,222	1,015,078	927,799	871,796	843,656
Total assets	1,461,344	1,555,676	1,496,316	1,412,894	1,444,512
Other Major Items (\$'000)					
Capital expenditure and investments	87,020	158,250	97,052	162,128	152,168
Depreciation & amortisation expense	73,430	71,608	68,213	65,349	54,264
Ratios					
Return on average total shareholders' equity (%)	5.4	10.4	9.6	10.3	10.4
EBIT/average funds employed (%)	6.5	10.0	10.8	12.3	13.5
Net debt/total capital (%)	57	53	43	40	32
Interest cover (times)	2.1	3.5	3.7	4.0	4.0
Per Share Calculations					
EPS pre-material items and discontinued operations (cents per share) ²	14.6	31.4	31.0	34.9	36.2
EPS including material items and discontinued operations (cents per share) ²	(41.3)	9.7	27.2	28.3	32.3
Dividends – ordinary shares (cents per share) ¹	–	28.0	28.0	27.0	26.0
Net tangible assets (\$ per share)	0.02	0.47	1.08	1.17	1.54
Other					
Accumulation index – Ordinary shares (index base 1,000 as at 1 July 2012) ³	1,676	2,106	2,438	2,706	1,904

1 Represents dividends on ordinary shares declared in relation to the relevant financial year. Excludes any distributions and special dividends.

2 Represents Diluted EPS on ordinary shares.

3 Represents value of \$1,000 invested on 1 July 2012 with all dividends reinvested.

THEME PARKS PERFORMANCE SUMMARY

Key Earnings Metrics (\$m)	GOLD COAST THEME PARKS		WET'N'WILD SYDNEY		WET'N'WILD LAS VEGAS		ASIA THEME PARKS		THEME PARKS (TOTAL)	
	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16
EBITDA	52.0	80.1	3.1	9.0	3.5	3.6	(2.7)	(4.7)	55.9	88.0
EBIT	10.3	39.2	(4.4)	1.9	2.1	1.9	(2.8)	(4.8)	5.2	38.2
PBT	0.2	28.2	(6.9)	(0.6)	0.7	0.6	(2.8)	(4.8)	(8.8)	23.4

Note: Figures presented are before Non-Controlling Interests relating to Wet'n'Wild Las Vegas, and before Material Items.

CINEMA EXHIBITION PERFORMANCE SUMMARY

Key Earnings Metrics (\$m)	AUSTRALIA		SINGAPORE		OTHER		EXHIBITION (TOTAL)	
	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16
EBITDA	68.1	73.6	8.4	11.7	0.1	(3.3)	76.6	82.0
EBIT	51.8	58.4	8.4	11.7	(0.3)	(3.8)	59.8	66.3
PBT	48.2	54.5	8.4	11.7	(1.3)	(3.8)	55.3	62.4

Note: Figures presented are VRL share, before Material Items. Other includes Leisure, iPic and Belfast. FY17 only includes 11 months of trading to May 2017 for Singapore.

CORPORATE DIRECTORY

Contact Information

Principal Administrative Office & 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
Australia
Ph: 1300 300 279
Fax: 1300 300 021

Divisional Offices

Theme Parks

Village Roadshow Theme Parks

Pacific Motorway
Oxenford Qld 4210
Australia
Ph: +617 5573 3999
Fax: +617 5573 3666

Cinema Exhibition

Village Entertainment

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

Film Distribution

Roadshow Films

Level 1, 1 Garden Street
South Yarra Vic 3141
Australia
Ph: +613 9281 1000
Fax: +613 9660 1764

Marketing Solutions

Edge

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

Opia

15 London Street
Chertsey Surrey KT16 8AP
United Kingdom
Ph: +44 1932 450 461

Film Production

Village Roadshow Entertainment Group

10100 Santa Monica Boulevard
Suite 200
Los Angeles CA 90067
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 555 159 Fax: 03 9473 2500 within Australia
Ph: +613 9415 4062 outside Australia
Website: www.computershare.com



VILLAGE ROADSHOW LIMITED

www.villageroadshow.com.au