2018

Village Roadshow Limited
Annual Report

VILLAGE ROADSHOW LIMITED

Introduction

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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 brands. Village Roadshow holds a diversified portfolio of assets including Theme Parks, Cinema Exhibition, Film Distribution and Marketing Solutions, 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, Sea World Resort and the recently opened Topgolf, all on Queensland's Gold Coast. 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 management 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 704 screens at 74 sites operating predominantly in Australia. VRL continues to drive and embrace innovation, with 3D blockbuster movies and premium cinema concepts including Gold Class, Vmax, Vpremium, and VJunior. VRL is continuing to invest in the expansion of premium cinema concepts and new entertainment offerings and developments in new population growth areas.

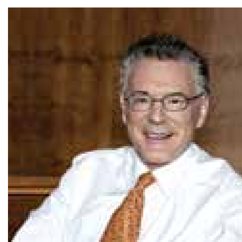
Film Distribution

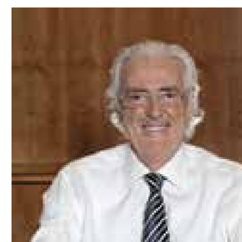
Originally started by Village Roadshow in the late 1960's, VRL's Film Distribution division ("Roadshow") is Australasia's largest independent distributor of theatrical films to cinemas. The business also distributes movies and television series in Australia and New Zealand across physical and digital platforms. The division has long standing distribution agreements with key film suppliers including Warner Bros., ABC, BBC, Relativity 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 one of the leading businesses delivering consumer incentive programs, with head offices in Australia and the UK. Edge and Opia focus on digital platforms and rewards and the division works with some of the world's largest brands to differentiate themselves and engage with key audiences.

To Our Shareholders


Robert G. Kirby
Executive Chairman


Graham W. Burke
Chief Executive Officer

Reflecting on 2018

The Board of Directors of Village Roadshow Limited ("the Company" or "VRL") reports the results for the financial year ended 30 June 2018 ("FY2018" or "current year").

The Company delivered an attributable profit after tax of $0.2 million for FY2018 after profits from material items of $7.5 million, compared to an attributable net loss of $66.7 million after losses from material items of $90.3 million for the financial year ended 30 June 2017 ("FY2017" or "prior year").

Earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations ("EBITDA") for the current year was $90.9 million ($136.3 million in the prior year).

VRL's attributable loss after tax before material items and discontinued operations ("NPAT") was $7.3 million, ($23.6 million profit in the prior year).

A number of key external factors significantly impacted VRL's major divisions which adversely affected VRL's FY2018 performance.

The Company's Australian theme parks continued to be impacted by the Dreamworld tragedy. As happened in similar tragedies overseas, attendance has suffered in the short term. In addition, the FY2018 full year result reflected lower than expected attendances over the Easter school holidays in April 2018, which coincided with the Commonwealth Games.

The Cinema Exhibition division experienced soft trading in the first half of FY2018 due to the underperformance of key titles, which was partially offset by blockbuster releases in the last quarter of FY2018.

The Film Distribution division was impacted by the underperformance of certain titles and the ongoing decline of the physical DVD market as it transitions to a digital universe.

VRL undertook a number of proactive steps during FY2018 to strengthen its balance sheet:

- Sale of VRL's 50% interest in its Singapore Cinema Exhibition business;
- Sale and leaseback of freehold land at Oxenford, Queensland;
- Sale of Wet'n'Wild Sydney; and
- Entitlement offer supported by Village Roadshow Corporation shareholders, launched in July 2018.

Furthermore, VRL implemented initiatives in FY2018 which delivered cost savings of $8m on an annualised basis, including operational and efficiency cost savings ("OneCo").

VRL has a clear objective to drive earnings and free cash flow, supported by the new ticketing strategy at the Theme Parks division and a sharp focus on operating costs and capital expenditure.

VRL's Board is committed to shareholder value. The Board has not declared a final FY2018 dividend. The Directors intend to reinstate the payment of dividends as soon as it is deemed appropriate.

A summary of key financial details is presented in the 5 Year Financial Summary on page 79.

Theme Parks

FY2018 was an important and necessary transition and reset year for Village Roadshow Theme Parks ("VRTP") with a new ticketing strategy implemented in December 2017, shifting VRTP from a discounted volume based business to a higher yielding value based operation. VRTP delivered an FY2018 EBITDA result of $38.3 million, compared to $55.9 million in the prior year.

With the removal of the discount resellers from the market effective 30 June 2018, overall ticket sales revenue is expected to continue to increase. There is a strong indication that the Gold Coast Theme Parks have returned to a positive trajectory, as evidenced by the best month of July on record in terms of ticket sales, followed by strong trading in August.

The *DC Rivals HyperCoaster* is the LONGEST, FASTEST and HIGHEST in the Southern Hemisphere and has been a strong drawcard to driving ticket sales.

This recovery is expected to gain further momentum in the year ending 30 June 2019 ("FY2019") assisted by Topgolf, which launched successfully in June 2018, a new creative marketing campaign and the addition of lower cost new attractions to enhance guest appeal.

A number of projects were completed during the current year, enhancing the guest experience. These included the birth and arrival of the new Polar Bear Cub *Mishka*, the new splash zone, *Castaway Bay – The Reef*, a new seal show and new Nickelodeon product, *Paw Patrol*.

In September 2017 the Southern Hemisphere's largest HyperCoaster opened at **Warner Bros. Movie World**. The *DC Rivals HyperCoaster* is the **LONGEST**, **FASTEST** and **HIGHEST** in the Southern Hemisphere and has been a strong drawcard to driving ticket sales.

Sea World Resort had a strong year and performed well above the prior year, with its conference centre continuing to outperform expectations.

VRTP's special events performed strongly in FY2018 with *Carnivale* at **Sea World** outperforming expectations with its new Light Laser Show, and *Fright Nights* and *White Christmas* at Warner Bros. Movie World delivering record results.

Supporting the Gold Coast parks was the ongoing strong performance by **Paradise Country**, which delivered a result in line with the prior year and **Village Roadshow Studios**, which continued its successful run with the completion of *Aquaman*, its usage during the 2018 Commonwealth Games, and the commencement of filming of *Dora the Explorer*.

A new TV marketing campaign featuring Sally Pearson launched in June 2018, aimed at engaging the core Gold Coast market and showcasing the enhanced customer value to VRTP guests and annual pass holders as part of VRTP's customer-led focus.

Images: **Left to right –** Village Roadshow Theme Parks Ambassador - Sally Pearson and *DC Rivals HyperCoaster* at Warner Bros. Movie World

In Asia, VRTP has two key projects in China reflecting management operating agreements and no equity investment. VRTP is responsible for operating China's first Wet'n'Wild branded theme park, **Wet'n'Wild Mission Hills**, which opened successfully in April 2018 in Haikou on Hainan Island.

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 sale and long term leaseback of the Company's land at Oxenford, Queensland, which was completed in December 2017, is treated as a finance lease in accordance with accounting standards, and the Company has not recorded a profit on sale in its reported results.

VRTP is in a strong position to face short term challenges and drive its continued recovery

Wet'n'Wild Sydney was sold to Parques Reunidos on 29 June 2018, with proceeds being used to reduce VRL's group debt on completion in early October 2018.

Wet'n'Wild Las Vegas (50.09% owned by VRL) was adversely impacted by a shortened holiday season and an unfavourable heatwave during the peak season. This seasonal water park delivered FY2018 EBITDA of $2.4 million ($3.5 million in the prior year).

Images: **Left to right –** *Mishka* at Sea World and Topgolf Gold Coast

VRTP is in a strong position to face short term challenges and drive its continued recovery, with recent results supporting VRTP management's confidence around the revised pricing strategy and customer focussed enhancements. The division is focussed on using guest feedback to prudently target capital spend including lower cost attractions which enhance guest appeal.

New attractions in FY2019 include the launch of the next generation *Scooby Doo Coaster*, a brand new show at **Australian Outback Spectacular**, *Heartland*, incorporating advanced technology, and the new *Shaun the Sheep* attraction at Paradise Country.

Despite the prudent approach to capital investment, an uncompromising approach to safety is integral to the guest experience and the Village Roadshow Theme Parks brand.

It is expected, based on trading to date in the new financial year, that the division will deliver an FY2019 EBITDA result which is a substantial improvement on FY2018.

VRTP's new landmark entertainment attraction, **Topgolf**, opened successfully on the Gold Coast in June 2018 with strong attendances and forward bookings to date. The business is focussed on continuing to refine its service level to ensure it provides the ultimate guest experience.

VRTP has the exclusive rights for the Topgolf concept in Australia and continues to explore attractive sites for Topgolf locations in other major Australian cities.

Cinema Exhibition

The Cinema Exhibition division delivered an EBITDA result of $58.1 million in FY2018 ($76.6 million in the prior year). The full year result was primarily impacted by the underperformance of key titles across the August to November 2017 period, in addition to soft carry over product from June, 2017. Top titles in FY2018 included *Avengers: Infinity War, Star Wars: The Last Jedi, Jumanji: Welcome to the Jungle, Incredibles 2* and *Black Panther*.

Softer admissions were partially offset by higher spend per person compared to the prior year, driven by the division's successful and continued focus on, and expansion of, enhanced food and beverage offerings, including gourmet popcorn.

In addition to the new Plenty Valley site in Melbourne's north, two new cinemas within the Australian Theatres Joint Venture with Event Hospitality and Entertainment also opened successfully during the year: Whitford (in Western Australia) and Palmerston (in Northern Territory).

The Cinema Exhibition division has a clear strategy to position itself as a destination of choice

FY2018 also saw the continued rollout of **VJunior** in Victoria with four new locations opening (Fountain Gate, Knox, Sunshine and Plenty Valley). This concept has exceeded expectations, driving increased average ticket price, spend per person and admissions. The year has also benefitted from the successful launch of an exciting new immersive seating concept **4DX** at Century City Walk in Victoria.

Images: Left and right – Village Cinemas

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, including **Gold Class**, **Vmax**, **Vpremium** and **VJunior**, appeal to specific market segments and give Village Cinemas a competitive advantage over other offerings in the market.

The sale of the Company's 50% owned Golden Village Cinemas in Singapore was completed in October 2017, with equity accounting ceasing from the end of May 2017.

iPic Entertainment ("iPic") successfully listed on NASDAQ in February 2018, raising US$15 million. Post the equity raising VRL's contingent liability relating to this business has reduced from US$24.2 million to US$5.6 million. iPic will utilise the capital raised to continue its development plans to reach critical mass.

VRL's ownership of iPic following the listing is 25%, which was valued at approximately US$22.6 million as at 30 June 2018. VRL carries this investment at nil in its accounts due to equity accounting requirements under accounting standards.

FY2019 has opened with positive results from *Ant-man and the Wasp*, *Mamma Mia!: Here We Go Again*, *Crazy Rich Asians* and strong carryover from June, including *Jurassic World: Fallen Kingdom* and *Incredibles 2*. Key titles for the balance of FY2019 include *Avengers 4*, *Aladdin*, *Ralph Breaks the Internet*, *Fantastic Beasts: The Crimes of Grindelwald*, *Mary Poppins Returns* and *Captain Marvel*.

In FY2019, VRL expects to see the Australian box office largely in line with FY2018.

Film Distribution

The Film Distribution division ("**Roadshow**") delivered an EBITDA of $13.8 million after a challenging FY2018 ($21.2 million in the prior year). The division was negatively impacted by the underperformance of key titles and the ongoing decline of the physical (DVD and Blu Ray) market and piracy. Back catalogue and TV titles in the physical market have been particularly impacted by the growth in subscription video on demand ("SVOD").

Roadshow Rough Diamond's first production, *Romper Stomper,* launched with critical acclaim on Stan during the year

The Australian transactional digital market for content continues to grow, and the division is well positioned to take advantage of this growth, 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.

Roadshow Rough Diamond's first production, *Romper Stomper,* launched with critical acclaim on Stan during the year with a second project, *Australian Gangster*, to screen on Channel 7.

In addition, the division's investment in **FilmNation** continues to provide positive exposure to an international sales and production company.

VRL is actively taking steps to reduce film piracy. FY2018 saw real progress in the fight against piracy as the new Australian legislation led to the blocking of 450 pirate sites, and a further 100 sites were blocked in September 2018.

Roadshow has a strong slate of titles in FY2019, headlined by *Fantastic Beasts: Crimes of Grindelwald*, *Aquaman*, the much anticipated *A Star is Born*, as well as new releases from major TV franchises.

Roadshow's FY2019 EBITDA will primarily depend on film performance.

Images: Left to right – *Aquaman* and *Fantastic Beasts: The Crimes of Grindelwald*

Marketing Solutions

The Marketing Solutions division has continued to invest in and develop its cutting edge technical platform capabilities

The Marketing Solutions division delivered EBITDA of $8.3 million for FY2018 ($9.8 million in the prior year) as the division invested in resources to support international expansion and 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 support geographic expansion into the USA, the broader European region and Asia and drive the growth profile of the business.

Edge has seen a continued demand for Card products and growth in Digital reward content and recurring promotions with key clients. Edge has progressed with its expansion into Asia with a new office in Singapore. Going forward, Asia will form a key part of Edge's growth.

The transformation of Edge into a business built around innovative incentive technologies is laying a strong foundation for local and international growth. Edge plans to strengthen its position in all markets by continuing to invest in promotional platforms, data analytics and connective capabilities.

Opia continued its longstanding relationships with key multinational clients during the year including HP, LG, Samsung and the company's agency business with Odeon Cinemas in the UK. In the USA, Opia successfully negotiated a Microsoft Worldwide Service Agreement, positioning the business as a preferred provider of sales promotions.

Opia will continue to grow its existing customer base in the UK and Europe, and to extend its geographical reach through developing long-term relationships with blue-chip multinational customers. The business is also developing its product offerings and looking to extend its activity into other sectors such as fast moving consumer goods and mobile phones.

Marketing Solutions is expected to achieve EBITDA growth in FY2019.

Images: Left to right – Opia and Edge

Corporate & Other

Total net Corporate & Other costs for the 12 months ended 30 June 2018 were $31.7 million, and EBITDA for Corporate was a $22.2 million loss, compared to a $21.5 million EBITDA loss in the prior corresponding period.

The investment in Digital & IT Development in FY2018 was $5.4 million, marginally down from $5.7 million in the prior year due to lower staffing costs and savings on data services and external consulting costs.

The Company's FY2018 attributable profit from material items after tax of $7.5 million included gains on disposal of investments and businesses of $156.9 million and impairment and other non-cash adjustments of $167.4 million.

During FY2018, $227.9 million of debt was repaid (total debt drawn was $401.9 million at 30 June 2018). While VRL remains in compliance with its debt covenants on the VRL group finance facility, the Board continues to work on initiatives aimed at reducing gearing.

The group will remain focussed in FY2019 on cost control and judicious capital expenditure spending

Shareholders strongly supported the Entitlement Offer in July 2018 which, together with the other proactive steps by the Board outlined above, reduced the Company's debt levels significantly.

The group will remain focussed in FY2019 on cost control and judicious capital expenditure spending, with capital expenditure expected to be significantly lower than the prior year.

Additional cost savings are anticipated in FY2019 as further efficiency initiatives are implemented under the OneCo business transformation project, which is aimed at bringing together functions in core divisions and transforming VRL into a more integrated company.

The Board is committed to ensuring that the Company's remuneration arrangements meet the needs of the business and shareholder expectations. The Company has implemented changes to the remuneration framework commencing in FY2019 to ensure even clearer alignment of executive interest with those of shareholders, including a 25% reduction in base remuneration for Executive Directors and in fees for Non-Executive Directors. The Company's FY2018 Remuneration Report commences on page 19.

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**.

Images: Left to right – *Seal Guardians* seal show and *The Reef – Castaway Bay* splash zone at Sea World

In Conclusion

VRL's Chief Executive Officer, Mr Graham Burke said: *"Our clear goals are to sell tickets and drive free cash flow while bringing to bear laser focus on operating costs and capital expenditure."*

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 at theme parks, cinemas or the exciting Topgolf concept which opened on the Gold Coast in June, 2018

VRL's Executive Chairman, Mr Robert Kirby said: *"The extraneous factors that contributed to our headwinds such as the Dreamworld effect, is now a nightmare of the past. There are strategies in place to correct the effect of other external factors as well as our new growth initiative of Topgolf."*

VRL's Executive Chairman, Mr Robert Kirby said: *"The extraneous factors that contributed to our headwinds such as the Dreamworld effect, is now a nightmare of the past. There are strategies in place to correct the effect of other external factors as well as our new growth initiative of Topgolf."*

Images: Left to right – Junior and Topgolf Gold Coast

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.

VRL's Chief Executive Officer, Mr Graham Burke said: *"Our clear goals are to sell tickets and drive free cash flow while bringing to bear laser focus on operating costs and capital expenditure."*

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 2018

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 2018.

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. Raffe (alternate for Messrs. R.G. Kirby and G.W. Burke)

Company Secretaries

Shaun L. Driscoll
Julie E. Raffe

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

Directors

Robert G. Kirby AO

Executive Chairman, Executive Director

First joined the Board on 12 August 1988, reappointed 5 July 2001. Holds a Bachelor of Commerce with over 40 years experience in the entertainment and media industry. Chairman of Village Roadshow Limited 1994 to 1998, 2002 to 2006 and from June 2010 to November 2013. Co-Executive Chairman and Co-Chief Executive Officer November 2013 to August 2018 when he became Executive Chairman. 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 AO

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 November 2013 to August 2018 when he became Chief Executive Officer. 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. Honorary Doctor, 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, 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, Griffith University Advisory for CILECT Congress. 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 and is currently a principal of Stratford Advisory Group.

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
Netwealth Group Limited, since 20 November 2017

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. Chief Executive Officer of Millennium & Copthorne Hotels Plc. 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:
Millennium & Copthorne Hotels Plc, since 19 June 2018

Julie E. Raffe

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. Raffe 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. Raffe

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	78,940,322	–
Graham W. Burke	78,940,322	1,500,000
John R. Kirby	78,940,322	–
David J. Evans	133,504	–
Jennifer Fox Gambrell	74,461	–
Robert Le Tet	292,184	–
Timothy M. Antonie	26,810	–
Julie E. Raffe (alternate)	891,084	–

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").

Other activities, including corporate overheads, financing activities, digital and information technology development, and other investments, are included under 'Other'.

Overview of Results and Dividends/Distributions

The VRL group reported an attributable net profit of $0.2 million for the year ended 30 June 2018 ("FY2018"), compared to an attributable net loss of $66.7 million for the year ended 30 June 2017 ("FY2017"), which included an attributable net profit from material items of $7.5 million in FY2018, and an attributable net loss from material items of $90.3 million in FY2017. The attributable net profit from material items after tax of $7.5 million in FY2018 included gains on disposal of investments and businesses of $156.9 million, and impairment and other non-cash adjustments of $167.6 million – refer page 13 for further details in relation to material items.

The attributable net loss before material items and discontinued operations ("NPAT") for FY2018 was $7.3 million, compared to the prior year attributable net profit of $23.6 million. Earnings before interest, tax, depreciation and amortisation, excluding material items and discontinued operations ("EBITDA") for FY2018 was $90.9 million, compared to the prior year result of $136.3 million.

Basic earnings per share from continuing operations was 0.14 cents (FY2017: loss per share of 41.3 cents). There were no potential ordinary shares in FY2018 (FY2017: 499,700 potential ordinary shares which were dilutive). Diluted loss per share before material items and discontinued operations for FY2018 was 4.5 cents per share, compared to the prior year earnings per share of 14.6 cents per share, based on a weighted average total of 161,855,150 ordinary shares (FY2017: 162,107,143 ordinary shares).

No dividends have been declared or paid during FY2018. 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 13 for further details.

Net cash flows from operating activities totalled $21.4 million in FY2018, compared to $130.6 million in the prior year. Cash flows used in investing and financing activities totalled $58.8 million in FY2018, compared to $94.1 million used in the prior year. Proceeds from sale of investments/businesses and sale and leaseback of property totalled $263.8 million in FY2018 (FY2017: $0.4 million), and net repayment of borrowings in FY2018 was $227.9 million, compared to net proceeds from borrowings of $27.6 million in FY2017.

An analysis of the Group'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, which forms part of this Directors' Report, on pages 16 and 17, and in Note 29 to the Financial Statements.

OPERATING AND FINANCIAL REVIEW (continued)

Operational Results

Theme Parks

FY2018 was an important and necessary transition and reset year for Village Roadshow Theme Parks ("VRTP"), with a new ticketing strategy implemented in December 2017, shifting VRTP from a discounted volume based business to a higher yielding value based operation. VRTP delivered FY2018 EBITDA of $38.3 million, down on the prior corresponding period's EBITDA of $55.9 million.

The Australian theme parks continued to be impacted by the Dreamworld tragedy. In the eight years preceding the Dreamworld tragedy to FY2016, VRL's Australian theme parks achieved average EBITDA of $86 million per annum. The second half of FY2017 experienced a significant impact from the tragedy and resulted in full year FY2017 EBITDA of $55 million, followed by FY2018 EBITDA of $41 million. In addition, the FY2018 full year result reflected lower than expected attendances over the Easter school holidays in April 2018 which coincided with the Commonwealth Games.

There is an encouraging indication that the Gold Coast Theme Parks have turned to a positive trajectory as reflected by strong July and August trading. This recovery in revenue is expected to gain further momentum in FY2019 assisted by Topgolf, which launched successfully in June 2018, a new creative marketing campaign and the addition of lower cost new attractions to enhance guest appeal. The Gold Coast Theme Parks continue to recover from the Dreamworld tragedy, led by customer-focussed attractions and enhanced in-park experience, and by the new ticketing strategy which in recent months has resulted in an improvement in ticket yields. With the removal of the discount resellers from the market effective 30 June 2018, overall ticket sales revenue is expected to continue to increase.

In September 2017, the Southern Hemisphere's largest HyperCoaster opened at Warner Bros. Movie World. The *DC Rivals HyperCoaster* has been a strong drawcard to driving ticket sales, and Warner Bros. Movie World has also benefitted from a number of other initiatives which resulted in driving in-park spend and length of stay. New attractions at Sea World in FY2018 have improved the guest experience and driven increased length of stay, including the birth and arrival of the new Polar Bear cub, *Mishka* and a number of other attractions.

Sea World Resort had a strong year and performed well above the prior year with its conference centre continuing to outperform expectations, and VRTP's special events performed strongly in FY2018. There were also strong results from Paradise Country and Village Roadshow Studios. A new TV marketing campaign featuring Sally Pearson was launched in June 2018, aimed at engaging the core Gold Coast market and showcasing the enhanced customer value to VRTP guests and annual pass holders as part of VRTP's customer-led focus.

VRTP's new entertainment attraction, Topgolf, opened successfully in June 2018 with strong attendances and forward bookings to date, and the initial guest feedback is very positive. Topgolf is a global leader in sports entertainment and is very successful in the U.S. VRTP has the exclusive rights for the Topgolf concept in Australia and continues to explore attractive sites for Topgolf locations in other major Australian cities. The FY2018 results included $2.2 million one-off costs related to Topgolf pre-opening expenses, and FY2019 will include a full year contribution from Topgolf.

As previously announced, Wet'n'Wild Sydney was sold to Parques Reunidos on 29 June 2018, with the sale expected to complete around the end of the first quarter of FY2019, subject to customary closing conditions. Wet'n'Wild Las Vegas (50.09% owned by VRL) was adversely impacted by a shortened holiday season and an unfavourable heatwave during the peak season, and delivered FY2018 EBITDA of $2.4 million, down on the prior corresponding period's EBITDA of $3.5 million.

VRTP has two key projects in China reflecting management operating agreements and no VRL equity investment. Wet'n'Wild Mission Hills opened successfully in April 2018 in Haikou on Hainan Island. In addition, the Lai Sun project for the development of the Lionsgate Entertainment World at Novotown on Hengqin Island continues. VRTP is currently providing consultation for the Lionsgate development and will also manage its operations after opening, expected in the second quarter of calendar year 2019.

VRTP is focussed on using guest feedback to prudently target capital spending, including lower cost attractions which enhance guest appeal. Despite the prudent approach to capital investment, 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, such as the Ellis International Lifeguard Training Program™ adopted across VRL's water parks in 2015.

Cinema Exhibition

The Cinema Exhibition division delivered an FY2018 EBITDA result of $58.1 million (FY2017: $76.6 million, including Singapore). The FY2018 result was primarily impacted by the underperformance of key titles across the August to November 2017 period, in addition to soft carry over product from June, 2017. Softer admissions were partially offset by higher spend per person compared to the prior year, driven by the division's successful and continued focus on, and expansion of, enhanced food and beverage offerings, including gourmet popcorn.

The Australian Cinema Exhibition business delivered an EBITDA of $58.0 million for the twelve months to 30 June 2018, with a strong final quarter FY2018 of blockbuster releases, headlined by *Avengers: Infinity War* and *Deadpool 2*. This was however unable to fully offset underperforming key titles earlier during the FY2018 year.

In addition to the new Plenty Valley site in Melbourne's north, two new cinemas within the Australian Theatres Joint Venture with Event Hospitality & Entertainment also opened successfully during the year, at Whitford in Western Australia and Palmerston in the Northern Territory. FY2018 also saw the continued rollout of VJunior, with four additional locations opening in Victoria during the year. This concept has exceeded expectations, driving increased average ticket price, spend per person and admissions. The year has also benefitted from the successful launch of the new immersive seating concept 4DX at Century City Walk in Victoria.

The Cinema Exhibition division has a clear strategy to position itself as a destination of choice through a diverse offering of exceptional experiences, including Gold Class and Vmax, which are complemented by high standard traditional cinemas. These concepts appeal to specific market segments and give Village Cinemas a competitive advantage over other offerings in the market. In line with its strategy to expand into select population growth corridors, the division also has a number of new sites committed for expected opening in 2020, with the selective inclusion of premium offerings.

The sale of the Group's 50% owned Golden Village Cinemas in Singapore was completed in October 2017, with equity accounting ceasing from the end of May 2017.

iPic Entertainment ("iPic") successfully listed on NASDAQ in February 2018, raising US$15 million. Post the equity raising VRL's contingent liability relating to this business has reduced from US$24.2 million to US$5.6 million. iPic will utilise the capital raised to continue its development plans to reach critical mass. VRL's ownership of iPic following the listing is 25%, which was valued at approximately US$22.6 million as at 30 June 2018. VRL carries this investment at nil in its accounts due to equity accounting requirements under accounting standards.

FY2019 has opened with positive results from a number of titles, including *Ant-man and the Wasp*, *Mamma Mia!: Here We Go Again* and *Incredibles 2*. Key titles for the balance of FY2019 include *Avengers 4*, *Aladdin*, *Ralph Breaks the Internet*, *Fantastic Beasts: The Crimes of Grindelwald*, *Mary Poppins Returns* and *Captain Marvel*, and FY2019 Australian box office is expected to be largely in line with FY2018.

Film Distribution

The Film Distribution division ("Roadshow") delivered an EBITDA of $13.8 million for FY2018 (FY2017: $21.2 million) after a challenging year. The division was negatively impacted by the underperformance of key titles and the ongoing decline of the physical (DVD and Blu Ray) market and by film piracy. Back catalogue and TV titles in the physical market have been particularly impacted by the growth in subscription video on demand ("SVOD"). VRL is actively taking steps to reduce film piracy – FY2018 saw real progress in the fight against piracy as the new Australian legislation led the blocking of 450 pirate sites, and further sites are sought to be blocked in FY2019.

In the core film distribution business, FY2018 results were adversely impacted by the underperformance of key theatrical releases which could not be fully offset by Roadshow's successful releases including *Wonder*, *I, Tonya* and *Ocean's 8*. 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.

For the television business, 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*, launched with critical acclaim on Stan during the year with a second project, *Australian Gangster*, to screen on Channel 7.

OPERATING AND FINANCIAL REVIEW (continued)

Operational Results (continued)

Film Distribution (continued)

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*. BlinkTV successfully covered both the 2018 Mardi Gras and Royal Wedding for SBS and television quiz show *Show Me The Movie* on Channel Ten.

FilmNation, which is 31.03% owned by the VRL group, is continuing its production strategy, with a number of titles in production including: *Life Itself*, *Gloria* and *Greyhound*. FilmNation has made significant strides in making TV an important part of the business. Already, FilmNation has a TV series in the USA that has been sold to, and fully funded by, HBO.

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. Major titles for the division in FY2019 include *Fantastic Beasts: Crimes of Grindelwald*, *Aquaman*, the much anticipated *A Star is Born*, as well as new releases from major TV franchises. Roadshow's FY2019 results will depend primarily on film performance.

Marketing Solutions

The Marketing Solutions division delivered FY2018 EBITDA of $8.3 million, down from $9.8 million in FY2017, and has continued to invest in and develop its cutting edge technical platform capabilities to deliver highly scalable and increasingly integrated promotional solutions.

In Australia, significant promotions for the period were driven by key clients like Kelloggs and Lion Beer Spirits & Wine, and highlights for FY2018 included the execution of over 10 Master Services Agreements with leading national and global brands, including Harvey Norman, Greenstone, Kelloggs, Fujitsu, Carlton & United Breweries and Unilever. In July 2017, Edge Loyalty rebranded as Edge, reflecting the business' move towards campaign-based incentive technologies. Edge has continued to define its strategic focus on information technology, and has also progressed with its expansion into Asia with a new office in Singapore, which will form a key part of Edge's growth.

The transformation of Edge into a business built around innovative incentive technologies is laying a strong foundation for local and international growth. Edge plans to strengthen its position in all markets by continuing to invest in promotional platforms ("Edge Connect"), data analytics and connective capabilities. Edge Asia has a strong pipeline of activity, including two new promotions with Microsoft.

The UK-based Opia business achieved an FY2018 EBITDA of $5.7m. Significant promotions for the year were driven by key clients HP, LG, Samsung and the company's agency business with Odeon Cinemas in the UK. Opia continues to see solid results in the UK and Europe. In the USA, Opia successfully negotiated a Microsoft Worldwide Service Agreement, positioning the business as a preferred provider of sales promotions. Opia will continue to grow its existing customer base in the UK and Europe, extending its geographical reach through developing long-term relationships with blue-chip multinational customers, and continuing to develop the sales teams, to achieve growth from both new business development and new client acquisition.

Marketing Solutions is expected to achieve EBITDA growth in FY2019.

Other

Total net Corporate & Other costs for FY2018 were $31.7 million, and EBITDA for Corporate was a $22.2 million loss, compared to a $21.5 million EBITDA loss in FY2017. The investment in Digital & IT Development in FY2018 was $5.4 million, marginally down from $5.7 million in FY2017, due to lower payroll costs and savings on data services and external consulting costs.

Material Items

Material items attributable gain after tax of $7.5 million in FY2018 included the following:

- Gain on disposal of investments and businesses totalling $156.9 million, including the gain on the Singapore Cinema Exhibition asset held for sale of $154.0 million;
- Impairment of assets and other non-cash adjustments totalling $167.4 million pre-tax, including impairment of assets at Wet'n'Wild Sydney of $24.7 million and Wet'n'Wild Las Vegas of $8.5 million, and impairment of goodwill relating to the Gold Coast Theme Parks of $95.0 million and Film Distribution of $30.0 million;
- Restructuring costs totalling $8.4 million pre-tax across the VRL group; and
- Tax benefit from the sale and leaseback of the Group's Oxenford land of $24.1 million.

Financial Position

During the year ended 30 June 2018, total assets of the consolidated entity decreased by $126.7 million, including a decrease in intangible assets of $128.2 million, which was mainly due to impairment of goodwill of $125.0 million, and total liabilities decreased by $120.4 million, including a decrease in interest bearing loans and borrowings of $225.6 million and an increase in lease liabilities of $103.0 million. Also during FY2018, total equity of the consolidated entity decreased by $6.3 million to $393.8 million.

The sale and long-term leaseback of the Group's land at Oxenford, Queensland, which was completed in December 2017, has been treated as a finance lease in accordance with accounting standards, and the Group has not recorded a profit on sale in its reported results. Further details in relation to the financial impacts from this transaction are set out in Note 32 to the Financial Statements. The VRL group's net debt as at 30 June 2018 was $338.5 million, giving a gearing ratio of 46%, compared to the prior year's net debt of $527.1 million and gearing ratio of 57%. Of the total debt of $401.9 million, $6.9 million is classified as current liabilities, and $395.0 million is classified as non-current liabilities, which has been determined in accordance with the requirements of the VRL group's relevant finance agreements.

In the second half of FY2018, VRL initiated a business transformation project – OneCo – which is aimed at bringing together functions in the core divisions and transforming VRL into a more integrated company. The key focus areas of OneCo are reducing costs by restructuring the organisation to remove duplications, and to drive efficiency and effectiveness. During the second half of FY2018, initiatives were implemented which delivered cost savings of $8.0 million on an annualised basis, including operational cost reductions and OneCo related cost savings. There are further annualised cost savings in excess of $10.0 million budgeted for FY2019.

In FY2018, the VRL Board took proactive steps to reduce group debt levels significantly, which included the sale of VRL's 50% stake in the Singapore Cinema Exhibition business, the sale and leaseback of the Group's freehold land at Oxenford, the sale of Wet'n'Wild Sydney and, just after year end, the successful completion of the Entitlement Offer to VRL shareholders in July 2018. The proceeds from all of these transactions were, or will be in the case of Wet'n'Wild Sydney, used to reduce group debt.

The VRL group will remain focussed on maximising operational cash flow, with FY2019 capex budgeted to be significantly lower than in FY2018. The VRL Board is committed to shareholder value. The Board has not declared a final FY2018 dividend. The Directors intend to reinstate the payment of dividends as soon as it is deemed appropriate.

Events Subsequent to Reporting Date

Other than the following, there have been no material transactions which significantly affect the financial or operational position of the consolidated entity since the end of the financial year.

As advised to the Australian Securities Exchange on 2 July 2018, the VRL group signed an agreement on 29 June 2018 to sell its wholly owned Wet'n'Wild Water Park located in Western Sydney to Parques Reunidos. The sale is expected to generate net proceeds of approximately $37 million and is expected to complete around the end of the first quarter of FY2019. The sale has resulted in an impairment loss of $24.7 million in the year ended 30 June 2018, which has been included in material items of income and expense in the Reconciliation of Results on pages 16 and 17. The assets and liabilities relating to the Wet'n'Wild Water Park in Sydney have been classified as Held for Sale at 30 June 2018.

As advised to the Australian Securities Exchange on 10 July 2018 (and updated a number of times in July and August 2018), the VRL group has completed a 5 for 26 pro-rata accelerated non-renounceable entitlement offer. The offer has raised net proceeds of approximately $50 million, and the net proceeds have been used to reduce the VRL group's borrowings.

Effective from 13 August 2018, the ownership percentage of the Topgolf Joint Venture ("Topgolf JV") by the VRL group's joint venture partner, Topgolf Australia Pty. Ltd. ("Topgolf Australia") has reduced from 33.33% at 30 June 2018 down to 3.7%. As a result, the VRL group's ownership percentage in the Topgolf JV has increased from 66.67% at year end to 96.3%. The amount receivable by the VRL group in relation to the Topgolf JV, which was approximately $10.9 million as at 30 June 2018, is still recoverable mainly through an increased share of property, plant & equipment. It is noted that Topgolf Australia has an option to increase its ownership in the Topgolf JV back to 33.33% prior to 31 December 2020, based on market value at the relevant time. Refer to Note 33 to the Financial Statements for further details.

Environmental Regulation and Performance

The VRL group was subject to the *National Greenhouse and Energy Reporting Act* for the year ended 30 June 2018, however this has not had any material impact on the VRL group.

OPERATING AND FINANCIAL REVIEW (continued)

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 monitoring of opportunities 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 implement the OneCo business transformation project.

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 and Film Distribution businesses, and the VRL group is actively working with other industry participants to reduce the severity of this risk – legislative changes in Australia were implemented in FY2018, which has already resulted in a significant number of sites being blocked;
- 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, VJunior) and alternative content and uses;
- Film production volatility – film production is an inherently volatile business, which could impact the Cinema Exhibition and Film Distribution divisions;
- Weather – extreme weather events can challenge admission levels at the Group's Theme Parks businesses, with potential customers not travelling to such destinations when the weather is severe, such as floods or cyclones. The VRTP ticketing strategy seeks 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 tragedy at Dreamworld in October 2016, 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 improved operating profits in FY2019. 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 that were completed in FY2018 or are in the process of being completed, and the entitlement offer that was completed subsequent to 30 June 2018, it is expected that the Group will return to an appropriate net debt position, having regard to the anticipated improved operating profits and cash flows in FY2019. In addition, the re-financing of the VRL group finance facility, which is in progress at the date of this report, is expected to be completed prior to 31 December 2018.

The VRL Board is committed to shareholder value. The Board has not declared a final FY2018 dividend. The Directors intend to reinstate the payment of dividends as soon as it is deemed appropriate.

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 or related body corporate 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	Remun-eration	Corporate Governance and Nomination	Formal	Audit & Risk	Remun-eration	Corporate Governance and Nomination
Robert G. Kirby	6	–	–	–	5	–	–	–
Graham W. Burke	6	–	–	–	6	–	–	–
John R. Kirby	6	–	–	–	6	–	–	–
David J. Evans	6	–	3	6	6	–	3	6
Jennifer Fox Gambrell	6	4	3	–	6	4	3	–
Robert Le Tet	6	4	–	6	6	4	–	6
Timothy M. Antonie	6	4	3	6	6	4	3	6
Julie E. Raffe (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.

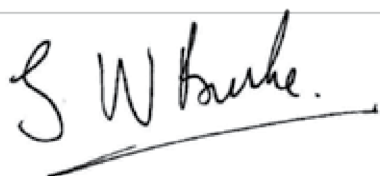
NON-AUDIT SERVICES PROVIDED BY AUDITOR

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 20th day of September 2018.



G.W. Burke
Director

RECONCILIATION OF RESULTS

for the year ended 30 June 2018

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		MARKETING SOLUTIONS		OTHER		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(i) Reconciliation of results:												
Continuing Operations:												
Earnings before Interest, Tax, Depreciation and Amortisation, excluding material items of income and expense ("EBITDA")	38,308	55,879	58,078	76,629	13,828	21,215	8,282	9,846	(27,633)	(27,283)	90,863	136,286
Depreciation and amortisation	(46,644)	(50,667)	(17,391)	(16,807)	(3,210)	(3,564)	(1,789)	(1,385)	(1,705)	(1,007)	(70,739)	(73,430)
Finance costs before finance restructuring costs	(16,298)	(14,070)	(4,659)	(4,696)	(4,440)	(4,399)	(2,461)	(2,487)	(2,777)	(6,063)	(30,635)	(31,715)
Interest income	188	72	149	161	573	564	50	1	366	853	1,326	1,651
Operating (loss) profit before tax and material items of income and expense ("PBT")	(24,446)	(8,786)	36,177	55,287	6,751	13,816	4,082	5,975	(31,749)	(33,500)	(9,185)	32,792
Income tax benefit (expense), excluding material items	5,565	2,067	(11,932)	(14,819)	(2,165)	(3,777)	(1,303)	(2,052)	12,556	10,491	2,721	(8,090)
Operating (loss) profit after tax, before material items of income and expense	(18,881)	(6,719)	24,245	40,468	4,586	10,039	2,779	3,923	(19,193)	(23,009)	(6,464)	24,702
Non-controlling interest, excluding material items	12	(317)	–	–	–	–	(842)	(779)	–	–	(830)	(1,096)
Attributable operating (loss) profit after tax, before material items of income and expense ("NPAT")	(18,869)	(7,036)	24,245	40,468	4,586	10,039	1,937	3,144	(19,193)	(23,009)	(7,294)	23,606
Material items of income and expense before tax	(137,576)	(75,630)	156,711	(7,260)	(33,214)	(18,521)	(1,918)	(141)	(2,955)	(7,213)	(18,952)	(108,765)
Income tax benefit – material items	19,675	12,557	63	142	964	5,556	416	41	887	145	22,005	18,441
Material items of income and expense after tax	(117,901)	(63,073)	156,774	(7,118)	(32,250)	(12,965)	(1,502)	(100)	(2,068)	(7,068)	3,053	(90,324)
Material items – Non-controlling interest	4,225	–	–	–	–	–	235	–	–	–	4,460	–
Material items – Profit (loss) after tax & non-controlling interest	(113,676)	(63,073)	156,774	(7,118)	(32,250)	(12,965)	(1,267)	(100)	(2,068)	(7,068)	7,513	(90,324)
Total (loss) profit before tax from continuing operations	(162,022)	(84,416)	192,888	48,027	(26,463)	(4,705)	2,164	5,834	(34,704)	(40,713)	(28,137)	(75,973)
Total income tax benefit (expense) from continuing operations	25,240	14,624	(11,869)	(14,677)	(1,201)	1,779	(887)	(2,011)	13,443	10,636	24,726	10,351
Total non-controlling interest	4,237	(317)	–	–	–	–	(607)	(779)	–	–	3,630	(1,096)
Total attributable profit (loss) after tax from continuing operations per the statement of comprehensive income	(132,545)	(70,109)	181,019	33,350	(27,664)	(2,926)	670	3,044	(21,261)	(30,077)	219	(66,718)
Discontinued Operations:												
Attributable profit after tax from discontinued operations											–	–
Net profit (loss) attributable to the members of Village Roadshow Limited											219	(66,718)

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		MARKETING SOLUTIONS		OTHER		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(ii) Material items of income and expense from continuing operations:												
Gain on disposal / dividend received – asset held for sale	–	–	154,006	5,038	–	–	–	–	–	–	154,006	5,038
Gain on disposal of business / reversal of onerous lease provision	–	–	2,916	7,500	–	–	–	–	–	–	2,916	7,500
Impairment and other non-cash adjustments	(133,456)	(71,000)	–	(128)	(32,526)	(17,683)	(1,453)	–	–	–	(167,435)	(88,811)
Restructuring costs	(4,120)	(4,630)	(211)	(474)	(688)	(838)	(465)	(141)	(2,955)	(585)	(8,439)	(6,668)
Equity-accounted losses on net investments	–	–	–	(19,196)	–	–	–	–	–	(6,628)	–	(25,824)
Total (loss) profit from material items of income and expense before tax	(137,576)	(75,630)	156,711	(7,260)	(33,214)	(18,521)	(1,918)	(141)	(2,955)	(7,213)	(18,952)	(108,765)
Income tax benefit	19,675	12,557	63	142	964	5,556	416	41	887	145	22,005	18,441
Total non-controlling interest – material items	4,225	–	–	–	–	–	235	–	–	–	4,460	–
Total attributable profit (loss) from material items of income and expense after tax	(113,676)	(63,073)	156,774	(7,118)	(32,250)	(12,965)	(1,267)	(100)	(2,068)	(7,068)	7,513	(90,324)

(iii) Earnings / (Loss) Per Share:	2018	2017
Basic EPS	0.14c	(41.3c)
Diluted EPS	0.14c	(41.3c)

(iv) (Loss) / Earnings Per Share adjusted to eliminate discontinued operations and material items of income and expense from the calculations:	2018	2017
Basic EPS	(4.5c)	14.6c
Diluted EPS	(4.5c)	14.6c

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 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

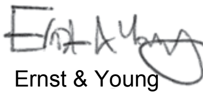
Auditor's Independence Declaration to the Directors of Village Roadshow Limited

As lead auditor for the audit of Village Roadshow Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

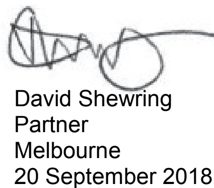
a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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
Melbourne
20 September 2018

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REMUNERATION REPORT

STRUCTURE OF THIS REPORT

Village Roadshow Limited ("the Company" or "VRL") is committed to the transparency of its remuneration arrangements and continues the updated reporting structure adopted since 2016. The information in this Remuneration Report ("Report") for the year ended 30 June 2018 ("FY2018") 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:

Section	Subsection
1. Scope of the Remuneration Report	
2. Remuneration strategy and governance	(a) Remuneration framework summary
	(b) Remuneration governance
	(c) Changes effective for FY2019
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 outcomes compared to metrics
	(d) Remuneration of Key Management Personnel
	(e) 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 FY2018 are as follows:

Name	Title/Position	Started as KMP	Cessation	Current Category
Robert G. Kirby	Co-Executive Chairman & Co-CEO	5 July 2001	–	Executive Director
Graham W. Burke	Co-Executive Chairman & Co-CEO	9 September 1988	–	Executive Director
Clark J. Kirby	Chief Executive Officer, Village Roadshow Theme Parks	1 December 2010	–	Executive Committee Member
Julie E. Raffe	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	31 December 2017	Executive Committee Member
John R. Kirby	Deputy Chairman	12 August 1988	–	Non-Executive Director
David J. Evans	Independent Director	2 January 2007	–	Non-Executive Director
Robert Le Tet	Independent Director	2 April 2007	–	Non-Executive Director
Timothy M. Antonie	Lead Independent Director	1 December 2010	–	Non-Executive Director
Jennifer Fox Gambrell	Independent Director	19 November 2015	–	Non-Executive Director

Mr. A.W. Bennallack resigned as Chief Financial Officer of the Company and from the Company's Executive Committee effective from 31 December 2017, and continues to be employed by the VRL group in a divisional role. From 22 August 2018, Mr. R.G. Kirby became Executive Chairman and Mr. G.W. Burke became Chief Executive Officer.

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 Group'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. 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, were both Co-Executive Chairman and Co-Chief Executive Officer ("CEO") of VRL during the year. These titles recognise that both Mr. Kirby and Mr. Burke work closely together as the two most senior executive officers in the Group. During the year Mr. Kirby and Mr. Burke effectively shared both positional functions between them and the prior joint titles facilitated 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. From 22 August 2018, Mr. Kirby's title changed to Executive Chairman, and Mr. Burke's title changed to

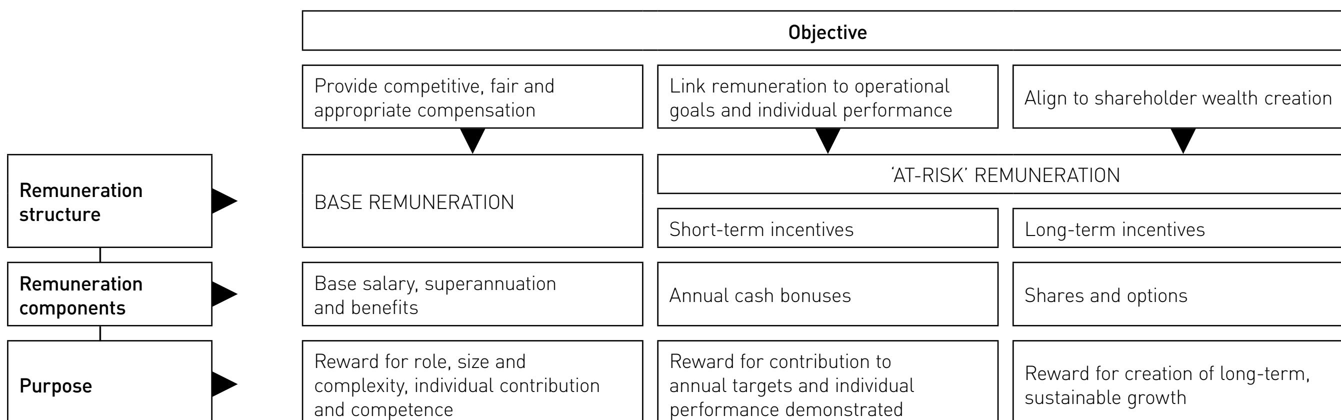
2. REMUNERATION STRATEGY AND GOVERNANCE (continued)

(a) Remuneration framework summary (continued)

Chief Executive Officer, reflecting the increasing focus on VRL's core Australian business operations and a wind-back in international activities and executive management time.

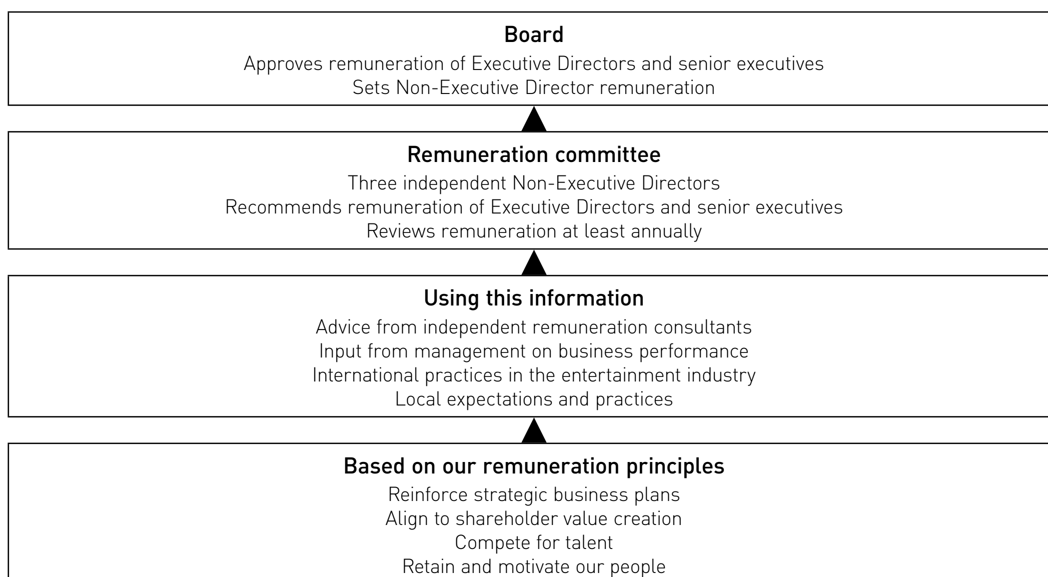
The Group's remuneration strategy is designed to motivate executives to deliver shareholder value in the short and long-term. The 'at-risk' component of executive remuneration in FY2018 is payable based on performance against a mix of corporate and individual measures. Executives also hold substantial 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.

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**.



(c) Changes effective for FY2019

Effective 1 July 2018, the Company has implemented changes to the remuneration framework to further align executive interests with those of shareholders, particularly having regard to the disappointing operating performance in FY2018. These changes are:

(i) The base remuneration for each of the Executive Directors has been decreased by 25% from $1,725,030 to $1,293,770 per annum (base remuneration excludes a superannuation amount of $25,000 per annum);

(ii) The Short-Term Incentive plan ("STI") for the Executive Directors, Executive Committee Members and other executives is based on achieving the VRL group's FY2019 EBITDA budget;

(iii) The Executive Directors have entered into new contracts on the above terms with effect from 1 July 2018;

(iv) No increase in fixed compensation for KMP and other executives who are eligible to participate in the FY2019 STI; and

(v) Executive Share Plan ("ESP") allocations are to be done on an annual basis and calculated on a formula based on the relevant base remuneration.

The Non-Executive Directors have also agreed to reduce their Board and Committee fees by 25% for FY2019.

All other employment contractual conditions remain in place on existing terms, including the STI clawback policy for all KMP.

3. REMUNERATION FRAMEWORK

The Group's remuneration framework for FY2018 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 and having regard to VRL Group's operating performance. Fixed compensation is set taking into account the levels of STI and LTI opportunities.

The Group provides benefits such as vehicles maintained by the Group, 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.

With the change in role for Mr. C.J. Kirby to Chief Executive Officer of Village Roadshow Theme Parks and his relocation from Melbourne to the Group's Gold Coast Theme Parks offices, a living-away-from-home allowance has been paid to Mr. C.J. Kirby during the year.

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.		
Opportunity	Executive Directors – 100% of base remuneration (excluding superannuation) Executive Committee Members – 100% of base remuneration (excluding superannuation)		
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 $7,597 for the 2018 financial year (2017: $27,745).		

3. REMUNERATION FRAMEWORK (continued)

(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 based on seniority, personal and company performance factors.
Eligibility	All Executive Committee Members (other than Directors) and other executives.
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.
Grant value	There were no long-term incentive plan allocations during the year ended 30 June 2018 to any Executive Committee Member or other executives given the VRL group's general operating performance. In the prior year, an allotment under the Executive Share Plan of 70,000 shares was made on 16 September 2016 to Mr. A.W. Bennallack at $4.72 per share. The fair value of each 'in substance' option estimated at the date of issue was $0.60, $0.62 and $0.64 for tranches 1, 2 and 3 respectively. Also in the prior year, 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. 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.
Grant price	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 the lower of twenty cents and the cash dividend paid 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. All loans issued post 1 July 2016 bear interest at the lower of twenty five cents and the cash dividend paid 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.
Vesting schedule	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.
Performance hurdles	There are no specific performance conditions for the removal of restrictions over shares granted under the ESP prior to 1 July 2016. 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.
Termination/forfeiture	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. 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.
Hedging	Consistent with the *Corporations Act 2001*, Executive Committee participants are prohibited from hedging their ESP shares.
Dilution	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.
Valuation	The fair value of these 'in substance option' grants are amortised on a straight-line basis over five years. The Group 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: *Share-based Payment*. 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. The Group has used the fair value measurement provisions of AASB 2: *Share-based Payment* for all options or equity instruments granted after 7 November 2002 which had not vested as at 1 January 2005. Under AASB 2: *Share-based Payment* these are all required to be accounted for and valued as equity-settled options. For the purpose of this Report, these have been referred to as 'in substance options' even where the equity instrument itself is not a share option.

3. REMUNERATION FRAMEWORK (continued)

(c) Long-term incentives (continued)

(ii) CEO Option Plan

Objective

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.

Eligibility

Mr. Graham Burke

Instrument

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.

Grant value

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.

Grant price

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 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. Following the pro-rata non-renounceable 5 for 26 rights issue in July 2018, the exercise price of the remaining options was reduced to $3.41.

Performance period

Performance was measured over a three year period prior to each vesting date.

Performance hurdles

Vesting is subject to two hurdles based on earnings per share and dividends per share.

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%

Vesting schedule

The options became exercisable in tranches of one third (1.5 million options) on the 1st of March 2016, 2017 and 2018. Half of the tranche was subject to the Company achieving certain growth CAGR in EPS over the three year vesting period. If 8% CAGR was achieved over the period, all of that component vested. If between 4% and 8% CAGR was achieved, a pro-rata straight line vesting scale was applied.

The other half of the tranche was subject to growth in DPS. The Company must have achieved 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 was achieved, a pro-rata straight line vesting scale was applied.

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

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

Subject to '2 out of 4 years' test

* A pro-rata straight line vesting scale applies.

Termination/forfeiture

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.

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.

Hedging

Consistent with the *Corporations Act 2001* 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 Group's growth strategy continues to be one of targeted growth within its portfolio of assets, however FY2018 trading was adversely impacted at the Group's largest division (Theme Parks) following the October 2016 tragedy at the competitor's Dreamworld park and with the Easter school holiday attendances adversely affected by the Gold Coast Commonwealth Games, together with soft trading occurring in the Film Distribution division from underperforming film titles and film piracy. The Group's Cinema Exhibition and Marketing Solutions divisions performed well overall but were insufficient to offset these adverse factors which are reflected in the Group's lower and disappointing financial results for FY2018.

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	$90.9 million
Cash flow return on investment ("CFROI")	54.8%
Attributable net profit after tax, including material items and discontinued operations ("Attributable NPAT")	$0.2 million
Earnings per share, excluding material items and discontinued operations	(4.5) cents

(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 Group to achieve future shareholder value.

In FY2018, the following key objectives were achieved:

- Opened the first Topgolf site at Oxenford in Queensland in June 2018;
- Launched the *DC Rivals HyperCoaster* at Warner Bros. Movie World in September 2017;
- Opened Wet'n'Wild Mission Hills in April 2018 at Haikou on Hainan Island;
- Initiated the business transformation project, OneCo, for improved divisional functional integration and operational efficiencies;
- Implemented the Group's asset rationalisation programme to reduce net debt, including the sale of the Group's 50% stake in the Singapore Cinema Exhibition business in October 2017, the sale and leaseback of the Group's freehold land at Oxenford in December 2017, and the sale of Wet'n'Wild Sydney in June 2018; and
- Further reduced the Group's gearing with the successful completion of the 5 for 26 rights issue in July 2018.

(c) Remuneration outcomes compared to metrics

Executive remuneration outcomes for FY2018 compared to the Company's metrics is outlined below.

(i) Short-term incentives ("STI")

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 54.8% of target (2017: 70.2%), however, given VRL's operating performance for FY2018, the KMP declined to accept their CFROI bonus entitlements, which totalled $602,675 in relation to FY2018 (2017: $766,438 earned but also declined). In addition, given VRL's operating performance for FY2018, the KMP have declined to accept bonuses relating to their personal KPIs (for strategic initiatives and individual performance) for FY2018, which would have been determined subsequent to 30 June 2018. These personal KPI bonus components would have been up to a total of $2.4 million (2017: up to a total of $2.4 million, also declined). For more detail on the Group's short-term incentive plan, refer to page 21.

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

Executive Share Plan

Executive Committee Members (other than Directors) can participate in the Executive Share Plan ("ESP"), together with other executives from across the Group. Effective from 1 July 2016, ESP share allocations to executives were done on an annual basis, calculated on a formula based on the relevant STI bonus entitlement paid.

There were no ESP allocations to KMP in FY2018 (2017: 189,000).

Effective 1 July 2018, allocations to executives are to be made on an annual basis and calculated on a formula based on the relevant base remuneration for that financial year.

CEO option plan

The CEO option plan consisted of 4.5 million options granted to Mr. Graham Burke in 2012 with vesting occurring in three tranches on 1 March 2016, 2017 and 2018. Vesting was 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 to page 23.

In the year ended 30 June 2018, 50% of tranche 3 vested because the Dividend per Share ("DPS") hurdle was met, and 50% did not vest because the EPS hurdle was not met. 50% of the tranche 2 due to vest on 1 March 2017 vested because the DPS hurdle was met, and 50% did not vest because the EPS hurdle was not met.

For the options that have vested, the last exercise date for these options is 31 March 2019 and the exercise price is $3.41.

(d) Remuneration of Key Management Personnel

The following tables show the total remuneration for all KMP for FY2018 and FY2017 calculated in accordance with Australian Accounting Standards.

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(d) Remuneration of Key Management Personnel (continued)

Compensation of Key Management Personnel of the Company and the Group for the year ended 30 June 2018

				SHORT TERM BENEFITS				POST EMPLOYMENT		LONG TERM BENEFITS					
NAME	POSITION (positions do not necessarily co-incide with employment dates)	YEAR	NOTE	Salary & Fees	Cash Bonus S.T.I.	Non-monetary Benefits	Other	Super-annuation	Retirement Benefits	Incentive Plans	Leave Accruals [6]	TERMIN-ATION PAYMENT	L.T.I. SHARE-BASED PAYMENT	TOTAL	TOTAL % PERFOR-MANCE RELATED PAY
Directors															
Robert G. Kirby	Executive Chairman KMP since 01/07/2000	2018	4, 7	1,717,186	–	56,499	–	25,000	–	–	87,126	–	–	1,885,811	–
		%		91.05	–	3.00	–	1.33	–	–	4.62	–	–	100.00	
Graham W. Burke	Chief Executive Officer KMP since 09/09/1988	2018	2, 7	1,722,137	–	178,526	–	20,049	–	–	100,013	–	(419,969)	1,600,756	(26.23%)
		%		107.58	–	11.15	–	1.25	–	–	6.25	–	(26.23)	100.00	
	Executive Director Subtotals			3,439,323	–	235,025	–	45,049	–	–	187,139	–	(419,969)	3,486,567	
John R. Kirby	Deputy Chairman, Non-executive Director, KMP since 12/08/1988	2018		118,721	–	3,484	–	11,279	–	–	–	–	–	133,484	–
		%		88.94	–	2.61	–	8.45	–	–	–	–	–	100.00	
David J. Evans	Independent Director KMP since 02/01/2007	2018		141,552	–	–	–	13,448	–	–	–	–	–	155,000	–
		%		91.32	–	–	–	8.68	–	–	–	–	–	100.00	
Jennifer Fox Gambrell	Independent Director KMP since 19/11/2015	2018	1	–	–	–	139,993	–	–	–	–	–	–	139,993	–
		%		–	–	–	100.00	–	–	–	–	–	–	100.00	
Robert Le Tet	Independent Director KMP since 02/04/2007	2018	1	–	–	–	149,991	–	–	–	–	–	–	149,991	–
		%		–	–	–	100.00	–	–	–	–	–	–	100.00	
Timothy M. Antonie	Independent Director KMP since 01/12/2010	2018		178,082	–	–	–	16,918	–	–	–	–	–	195,000	–
		%		91.32	–	–	–	8.68	–	–	–	–	–	100.00	
	Non-Executive Director Subtotals			438,355	–	3,484	289,984	41,645	–	–	–	–	–	773,468	
	Director Subtotals			3,877,678	–	238,509	289,984	86,694	–	–	187,139	–	(419,969)	4,260,035	
Executives															
Julie E. Raffe	Finance Director KMP since 28/09/1992	2018	3, 4	781,889	–	36,759	5,304	25,000	–	–	62,615	–	22,399	933,966	2.40%
		%		83.71	–	3.94	0.57	2.68	–	–	6.70	–	2.40	100.00	
Simon T. Phillipson	General Counsel KMP since 13/05/1996	2018	3, 4	630,242	–	28,976	3,698	25,000	–	–	59,753	–	38,825	786,494	4.94%
		%		80.13	–	3.68	0.47	3.18	–	–	7.60	–	4.94	100.00	
Clark J. Kirby	Chief Executive Officer, Theme Parks, KMP since 01/12/2010	2018	3, 4, 5	863,781	–	32,012	66,049	25,000	–	–	169,720	–	106,692	1,263,254	8.45%
		%		68.37	–	2.53	5.23	1.98	–	–	13.44	–	8.45	100.00	
Alistair Bennallack	Chief Financial Officer, KMP from 26/10/2015 to 31/12/2017	2018	3, 4	257,973	–	38,975	839	12,500	–	–	4,087	–	23,063	337,437	6.83%
		%		76.46	–	11.55	0.25	3.70	–	–	1.21	–	6.83	100.00	
	Executive Committee Subtotals			2,533,885	–	136,722	75,890	87,500	–	–	296,175	–	190,979	3,321,151	
Total for Key Management Personnel for 2018				6,411,563	–	375,231	365,874	174,194	–	–	483,314	–	(228,990)	7,581,186	

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 living-away-from-home allowance.
6. Includes movement in annual leave and long service leave accruals.
7. Co-Executive Chairman and Co-CEO to 22 August 2018

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(d) Remuneration of Key Management Personnel (continued)

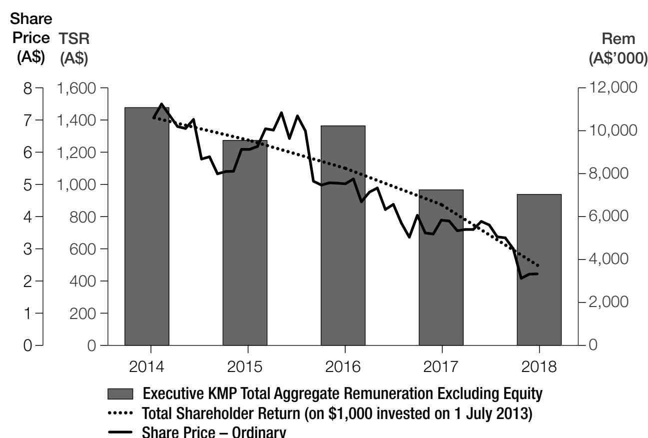
Compensation of Key Management Personnel of the Company and the Group for the year ended 30 June 2017

				SHORT TERM BENEFITS				POST EMPLOYMENT		LONG TERM BENEFITS					
NAME	POSITION (positions do not necessarily co-incide with employment dates)	YEAR	NOTE	Salary & Fees	Cash Bonus S.T.I.	Non-monetary Benefits	Other	Super-annuation	Retirement Benefits	Incentive Plans	Leave Accruals [6]	TERMINATION PAYMENT	L.T.I. SHARE-BASED PAYMENT	TOTAL	TOTAL % PERFORMANCE RELATED PAY
Directors															
Robert G. Kirby	Co-Executive Chairman & Co-CEO	2017	4, 5	1,693,289	(7)	85,045	732	25,000	–	–	(218,081)	–	–	1,585,978	–
	KMP since 01/07/2000	%		106.76	–	5.36	0.05	1.58	–	–	(13.75)	–	–	100.00	
Graham W. Burke	Co-Executive Chairman & Co-CEO	2017	2, 5	1,683,655	(7)	125,441	–	35,000	–	–	(266,430)	–	(166,624)	1,411,035	(11.81%)
	KMP since 09/09/1988	%		119.32	–	8.89	–	2.48	–	–	(18.88)	–	(11.81)	100.00	
	Executive Director Subtotals			3,376,944	(14)	210,486	732	60,000	–	–	(484,511)	–	(166,624)	2,997,013	
John R. Kirby	Deputy Chairman, Non-executive	2017		118,721	–	725	–	11,279	–	–	–	–	–	130,725	–
	Director, KMP since 12/08/1988	%		90.82	–	0.55	–	8.63	–	–	–	–	–	100.00	
David J. Evans	Independent Director	2017		184,931	–	208	–	17,569	–	–	–	–	–	202,708	–
	KMP since 02/01/2007	%		91.23	–	0.10	–	8.67	–	–	–	–	–	100.00	
Jennifer Fox Gambrell	Independent Director	2017	1	70,000	–	–	69,996	–	–	–	–	–	–	139,996	–
	KMP since 19/11/2015	%		50.00	–	–	50.00	–	–	–	–	–	–	100.00	
Robert Le Tet	Independent Director	2017	1	–	–	192	149,994	–	–	–	–	–	–	150,186	–
	KMP since 02/04/2007	%		–	–	0.13	99.87	–	–	–	–	–	–	100.00	
Timothy M. Antonie	Independent Director	2017		155,251	–	1,464	–	14,749	–	–	–	–	–	171,464	–
	KMP since 01/12/2010	%		90.55	–	0.85	–	8.60	–	–	–	–	–	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	2017	3, 4, 5	755,112	349,699	39,003	9,596	35,000	–	–	69,723	–	63,010	1,321,143	31.24%
	KMP since 28/09/1992	%		57.15	26.47	2.95	0.73	2.65	–	–	5.28	–	4.77	100.00	
Simon T. Phillipson	General Counsel	2017	3, 4, 5	607,364	283,620	910	6,315	35,000	–	–	(9,586)	–	47,287	970,910	34.08%
	KMP since 13/05/1996	%		62.57	29.21	0.09	0.65	3.60	–	–	(0.99)	–	4.87	100.00	
Clark J. Kirby	Chief Operating Officer	2017	3, 4, 5	635,888	291,593	7,422	1,083	30,000	–	–	62,446	–	120,493	1,148,925	35.87%
	KMP since 01/12/2010	%		55.34	25.38	0.65	0.09	2.61	–	–	5.44	–	10.49	100.00	
Alistair Bennallack	Chief Financial Officer	2017	3, 4, 5	507,776	257,472	51,739	3,198	25,000	–	–	31,835	–	47,256	924,276	32.97%
	KMP since 26/10/2015	%		54.94	27.86	5.60	0.35	2.70	–	–	3.44	–	5.11	100.00	
	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.

(e) Five year company performance

Aggregate Executive KMP Remuneration compared to TSR and Share Price

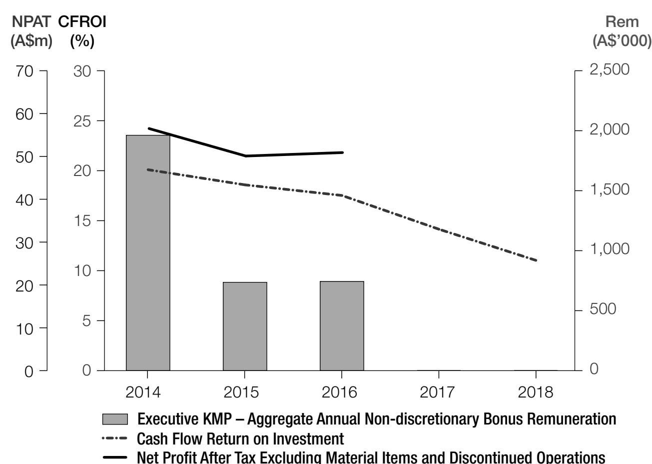


Total Shareholder Return and adjusted Ordinary share price month end closing price history – IRESS

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 2013. It also shows the share price movement of the Company's ordinary shares over the five years to 30 June 2018, 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 FY2018 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 with a substantial reduction in recent years, whilst aggregate remuneration has reduced due to voluntary reductions in fixed remuneration and 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 2018 financial year 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. There were no STI bonus payments to any KMP in FY2018 or FY2017.

The chart also shows the Group's attributable net profit after tax, before material items and discontinued operations ("NPAT") over the three 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 profit of $0.2 million in FY2018 (FY2017: loss of $66.7 million), nothing was earned from this component in FY2018 and FY2017. Due to the change in measurement basis, the Attributable NPAT for FY2017 and FY2018 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 54.8% of the CFROI component of the STI bonus amount for the 2018 year was earned (FY2017: 70.2%), however the Executive KMP declined to accept these bonus entitlements, which totalled $602,675 in relation to FY2018 (FY2017: $766,438 earned but also declined). The reduction in the quantum of STI bonus payments (directly linked to financial performance) over recent years reflects the overall performance of the Group 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 Group 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 Executive Directors, Mr. Robert Kirby and Mr. Graham Burke, set out a CPI adjusted base remuneration package, and an annual capped incentive performance bonus payable on the Company achieving certain financial performance targets.

The term of Mr. Graham Burke's previous CEO contract expired on 1 December 2017 but remaining terms 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 and Ms. J.E. Raffe 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 a car and living-away-from-home allowance provided to Mr. C.J. Kirby. All Executive Committee Members are also eligible to be paid an annual STI and LTI.

Payment for termination without cause is equal to twelve months of base remuneration 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.

6. KMP TRANSACTIONS AND HOLDINGS

(a) Ordinary shares held by KMP

2018	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	–	–	(766,863)	67,946,273
Graham W. Burke[2]	68,713,136	–	–	(766,863)	67,946,273
John R. Kirby[2]	68,713,136	–	–	(766,863)	67,946,273
David J. Evans	111,971	–	–	–	111,971
Robert Le Tet	188,200	46,232	–	–	234,432
Timothy M. Antonie	22,485	–	–	–	22,485
Jennifer Fox Gambrell	19,487	43,150	–	–	62,637
Executives					
Julie E. Raffe	–	–	–	–	–
Clark J. Kirby	–	–	–	–	–
Simon T. Phillipson	200,000	–	–	–	200,000
Alistair Bennallack[3]	–	–	–	–	–

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
Timothy M. 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	–	–	–	–	–

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 Ceased as KMP on 31 December 2017.

(b) 'In substance options' held by KMP

2018

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	747,360	–	–	–	747,360	702,360	–
Simon T. Phillipson	336,500	–	–	–	336,500	233,334	–
Clark J. Kirby	537,500	–	–	–	537,500	300,000	–
Alistair Bennallack[1]	203,334	–	–	–	203,334	66,668	–

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[1]	133,334	70,000	–	–	203,334	16,667	–

1 Ceased as KMP on 31 December 2017.

(c) Options over ordinary shares held by KMP

2018

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	2,250,000	–	–	(750,000)	1,500,000	1,500,000	–

6. KMP TRANSACTIONS AND HOLDINGS (continued)

(c) Options over ordinary shares held by KMP (continued)

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	–

7. NON-EXECUTIVE DIRECTOR REMUNERATION

(a) Remuneration summary

The Board sets Non-Executive Director remuneration at a level which provides the Group 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 Group 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.

Effective 1 July 2018, Non-Executive Director fees were reduced by 25 percent resulting in the annual Board fee reducing to $75,000 and the fee for each Board Committee representation reducing to $15,000, with a commensurate reduction for Committee Chairs. The additional annual fee for the Lead Independent Director and Deputy Chairman has also been reduced to $22,500.

The Group 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 Group 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 2017	10,053	$3.73
	8 December 2017	9,590	$3.91
	8 March 2018	10,964	$3.42
	12 June 2018	15,625	$2.40
J. Fox Gambrell	8 September 2017	9,383	$3.73
	8 December 2017	8,951	$3.91
	8 March 2018	10,233	$3.42
	12 June 2018	14,583	$2.40

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 2018 was $242,965 (2017: $306,327). Other net reimbursement amounts paid by Peninsula Cinemas to the VRL group in relation to operational cinema matters in the year ended 30 June 2018 totalled $8,252 (2017: $21,006 paid by the VRL group to Peninsula Cinemas).

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 $365,393 for the year ended 30 June 2018 (2017: $366,693). 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 nil for the year ended 30 June 2018 (2017: $8,619). The swimwear was purchased in 2017 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 2018, $2,685 of film royalties (2017: $6,185) were paid to VRC.

The VRL group recharged net occupancy costs for accommodation provided and received 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 by the VRL group for the various occupancy and other services in the year ended 30 June 2018 was $126,377 (2017: $160,292).

As at 30 June 2018, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was $63,940 (2017: $55,418), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was $36,997 (2017: $7,652).

Subsequent to 30 June 2018, the VRL group has been charged $87,966 for the provision of art works and related insurance costs by an entity associated with Mr. R.G. Kirby, in relation to the year ended 30 June 2018 (2017: nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Continuing operations			
Income			
Revenues	2(a)	952,762	1,003,158
Other income	2(b)	193,774	36,197
Expenses excluding finance costs	2(d)	(1,144,092)	(1,070,116)
Finance costs	2(e)	(31,485)	(31,715)
Share of net profits (losses) of equity-accounted investments	2(c)	904	(13,497)
Loss from continuing operations before income tax benefit		(28,137)	(75,973)
Income tax benefit	4	24,726	10,351
Loss after tax from continuing operations		(3,411)	(65,622)
Discontinued operations			
Profit after tax		–	–
Net loss for the year		(3,411)	(65,622)
Loss for the year is attributable to:			
Non-controlling interest		(3,630)	1,096
Owners of the parent		219	(66,718)
		(3,411)	(65,622)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments	20	364	–
Cash flow hedges	20	2,244	1,038
Foreign currency translation	20	(5,517)	151
Other comprehensive (expense) income for the year after tax		(2,909)	1,189
Total comprehensive expense for the year		(6,320)	(64,433)
Total comprehensive expense for the year is attributable to:			
Non-controlling interest		(3,630)	1,096
Owners of the parent		(2,690)	(65,529)
		(6,320)	(64,433)
Earnings (loss) per share (cents per share)			
For profit (loss) for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic earnings (loss) per share	3	0.14 cents	(41.3) cents
Diluted earnings (loss) per share	3	0.14 cents	(41.3) cents
For profit (loss) from continuing operations for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic earnings (loss) per share	3	0.14 cents	(41.3) cents
Diluted earnings (loss) per share	3	0.14 cents	(41.3) 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 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6(a)	63,393	100,400
Trade and other receivables	7	119,300	128,300
Inventories	8	23,578	21,292
Assets held for sale	27, 11(a)	40,610	11,839
Current tax assets		2,373	12,326
Film distribution royalties	10(b)	47,704	57,310
Derivatives	30(e)	1,153	94
Other	10(a)	10,183	9,163
Total current assets		308,294	340,724
Non-Current Assets			
Trade and other receivables	7	23,925	18,300
Goodwill and other intangible assets	9	253,675	381,870
Investments – equity-accounted	11	31,742	30,037
Available-for-sale investments		1,737	407
Property, plant & equipment	14	639,943	615,813
Deferred tax assets	4(c)	11,417	774
Film distribution royalties	10(b)	63,517	69,895
Derivatives	30(e)	63	–
Other	10(a)	294	3,524
Total non-current assets		1,026,313	1,120,620
Total assets		1,334,607	1,461,344
LIABILITIES			
Current Liabilities			
Trade and other payables	15	202,777	262,956
Liabilities held for sale	27	1,829	–
Interest bearing loans and borrowings	16	6,866	1,072
Income tax payable		6,880	39
Provisions	17	34,749	31,870
Derivatives	30(e)	16	3,026
Unearned revenue	18	50,128	59,528
Total current liabilities		303,245	358,491
Non-Current Liabilities			
Trade and other payables	15	42,736	31,347
Interest bearing loans and borrowings	16	395,024	626,418
Lease liability	32	102,962	–
Deferred tax liabilities	4(c)	4,751	22,692
Provisions	17	10,592	8,950
Derivatives	30(e)	–	27
Unearned revenue	18	80,246	12,674
Other	18	1,240	613
Total non-current liabilities		637,551	702,721
Total liabilities		940,796	1,061,212
Net assets		393,811	400,132
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	19	225,548	225,176
Reserves	20	86,774	89,852
Retained earnings	20	70,509	70,290
Parent interests		382,831	385,318
Non-controlling interest	21	10,980	14,814
Total equity		393,811	400,132

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 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,068,498	1,138,760
Payments to suppliers and employees		(1,031,131)	(995,134)
Dividends and distributions received		1,019	22,029
Interest and other items of similar nature received		1,346	2,377
Finance costs		(28,162)	(30,141)
Income taxes refunded (paid)		9,796	(7,333)
Net cash flows from operating activities	6(b)	21,366	130,558
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant & equipment		(69,970)	(66,451)
Purchases of software & other intangibles		(14,926)	(13,086)
Proceeds from sale of property, plant & equipment		733	9,051
Proceeds from sale and leaseback of property		99,991	–
Purchase of investments / businesses		(2,053)	(7,483)
Proceeds from sale of investments / businesses		163,813	373
Loans to (or repaid to) other entities		(10,224)	(25,824)
Loans from (or repaid by) other entities		1,704	4,240
Net cash flows from (used in) investing activities		169,068	(99,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		39,000	50,000
Repayment of borrowings		(266,875)	(22,406)
Dividends and distributions paid		–	(22,556)
Net cash flows (used in) from financing activities	6(d)	(227,875)	5,038
Net (decrease) increase in cash and cash equivalents		(37,441)	36,416
Cash and cash equivalents at beginning of year		100,400	64,338
Effects of exchange rate changes on cash		434	(354)
Cash and cash equivalents at end of the year	6(a)	63,393	100,400
Total cash classified as:			
Continuing operations		63,393	100,400
Total cash and cash equivalents at end of the year		63,393	100,400

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 2018

	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 2017	225,176	70,290	89,852	385,318	14,814	400,132
(Loss) profit for the year	–	219	–	219	(3,630)	(3,411)
Other comprehensive expense (net)	–	–	(2,909)	(2,909)	–	(2,909)
Total comprehensive (expense) income for the year	–	219	(2,909)	(2,690)	(3,630)	(6,320)
Share-based payment movements	82	–	(1)	81	–	81
Issue of shares under Directors' Share Plan from Directors' fees	290	–	–	290	–	290
Controlled entity acquisition reserve	–	–	(168)	(168)	(607)	(775)
Other changes in equity	–	–	–	–	403	403
At 30 June 2018	225,548	70,509	86,774	382,831	10,980	393,811
Balances at 1 July 2016	224,234	159,564	81,539	465,337	15,022	480,359
(Loss) profit 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

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

1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Village Roadshow Limited ("the Company" or "VRL") for the year ended 30 June 2018 was authorised for issue on 20 September 2018, 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 2018, the Group made an attributable profit after tax of $0.2 million (2017: $66.7 million loss), and had a Gearing Ratio of 46% as at 30 June 2018 (2017: 57%). The Group remains in compliance with its banking covenants on the VRL group finance facility. There were significant debt reductions in the year ended 30 June 2018, from the sale of the Group's 50% stake in the Singapore Cinema Exhibition business ($164 million) and the sale and leaseback of the Group's freehold land on the Gold Coast ($100 million), and further reductions have been made (or are expected to be made) subsequent to 30 June 2018, in relation to the equity raising ($50 million) and the sale of Wet'n'Wild Sydney ($37 million). Refer to the Consolidated Statement of Cash Flows and Note 27 for further information. 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 the expected re-financing of the VRL group finance facility prior to 31 December 2018, which is in progress at the date of this report.

(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 2016-1: *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2: *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2: *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2014-2016 Cycle*

Adoption of these amended Accounting Standards did not have any impact on the financial position or performance of the Group. The Group has provided the required disclosure changes under AASB 2016-2 for the current period in Note 6(d).

(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 2018. 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.

  The Group plans to adopt AASB 9 on the required effective date and does not intend to restate comparative information. The Group has performed an impact assessment which was based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in FY2019 when the Group will adopt the new standard.

  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 will continue measuring these assets and liabilities at fair value under AASB 9. The Group currently recognises quoted equity shares as available-for-sale investments with gains and losses recognised in other comprehensive income ("OCI"). On transition to AASB 9, the Group intends to apply the option to continue to present fair value changes in OCI, therefore the application of the new standard is not expected to have an impact. Under this option, there will be no recycling of cumulative gains or losses through the profit or loss upon de-recognition of equity instruments. Available-for-sale investments are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments.

  AASB 9 requires the Group to record expected credit losses on all trade receivables. The Group intends to adopt the simplified approach and record lifetime expected losses on all trade receivables. On adoption of AASB 9, the Group does not expect a significant impact to the impairment loss allowance.

  The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. The Group has determined that all existing hedge relationships would qualify as continuing hedges under AASB 9. Accordingly, there is no impact on the accounting for its hedging relationships.

- 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. The new revenue standard will supersede all current revenue recognition requirements under Australian Accounting Standards. Application date of these standards is 1 January 2018, and application date for the Group is 1 July 2018. The Group intends to adopt the new standard retrospectively using the cumulative effect transition method (i.e. modified approach) at the date of initial application and therefore comparative information will not be restated. Under this transition method, the new standard will only be applied retrospectively to contracts that are not completed contracts at 1 July 2018 and the Group will only recognise the cumulative effect of adjustments against the opening balance of equity at this date. The Group intends to apply the practical expedient for completed contracts on transition at 1 July 2018.

  The Group has a project team which has been assessing all significant revenue streams within the Group. In preparing to adopt AASB 15, the project team has identified the following significant changes to the Group set out below, based on currently available information, which may be subject to change arising from finalisation of the reviews in FY2019.

  (a) Breakage revenue

  Within the Cinema Exhibition segment, non-refundable gift cards and vouchers are sold to customers that give customers the right to receive goods or services in the future. If a customer does not exercise their right, this amount is recognised as breakage revenue. Under the current accounting policy, the prepayment amount received from a customer is recognised as an unearned revenue liability and the breakage revenue is recognised upon expiry of the gift cards and vouchers. Under AASB 15, breakage revenue should be recognised in proportion to the pattern of rights exercised by the customer as there is an expectation the Group will be entitled to breakage revenue and that it is considered highly probably a significant reversal will not occur in the future. On transition to AASB 15, the Group has determined that higher breakage revenue should have been recognised in the year ended 30 June 2018, therefore this will result in an increase in retained earnings and a corresponding decrease in unearned revenue liability.

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

(iii) – AASB 15 (continued)

(b) Loyalty program

The Cinema Exhibition segment operates a loyalty program where a customer can earn points which can be redeemed in the future for goods and services. Under AASB 15, the loyalty program gives rise to a separate performance obligation as it provides a material right to the customer. The Group will need to allocate a portion of the transaction prices to the loyalty program based on relative stand-alone selling prices instead of allocating using the fair value of points issued. On transition to AASB 15, the Group has determined that lower revenue should have been recognised in the year ended 30 June 2018, therefore this will result in a decrease in retained earnings and a corresponding increase in unearned revenue liability.

(c) Admissions revenue

The Theme Parks segment sells annual passes which give customers unlimited entry to theme parks for a period of 12 months. The Group currently recognises revenue based on average visitation using historical data over the period in which the passes are available to be used. Where services are yet to be rendered or visits yet to be made, amounts are recorded as an unearned revenue liability. Under AASB 15, revenue recognition on annual passes is expected to change to be recognised on a straight-line basis to reflect that annual passes give rise a stand-ready performance obligation. On transition to AASB 15, the Group has determined that lower revenue should have been recognised in the year ended 30 June 2018, therefore this will result in a decrease in retained earnings and a corresponding increase in unearned revenue liability.

(d) Rights of return

Within the Film Distribution segment, certain contracts with customers provide a right to return goods. The Group currently accounts for this right of return using an average rate of return approach based on historical return data, similar to the expected value method under AASB 15. Under the current accounting policy, the amount of revenue related to the expected returns is deferred and a corresponding adjustment to cost of sales is also deferred, both of which are recognised in trade and other payables on a net basis. Under AASB 15, the Group will present a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. On transition to AASB 15, the Group will reclassify an amount from trade and other payables to a right-to-return asset in inventory.

- 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/amortisation 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 assets and liabilities in the statement of financial position at transition and in future years, as the Group's operating leases (primarily property and attraction leases in relation to the Cinema Exhibition and Theme Parks segments) will need to be recognised in the statement of financial position. 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/amortisation and interest. This standard allows entities to apply certain transitional provisions on initial adoption and the Group plans to adopt the modified retrospective transition approach. Initial assessment activities continue to be 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 is continuing. Refer to Note 23(a)(i) (operating lease commitments) for an approximation of the potential impact of AASB 16 on the Group's financial position, being the increase of assets and liabilities.

- 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 adoption of this standard is not expected to have any impact on the Group's financial results.

- AASB 2017-5: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*: This standard defers the mandatory effective dates of amendments to AASB 10 and AASB 128 that were originally made in AASB 2014-10: *Amendments to Australia Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2022 instead of 1 January 2018. Application date for the Group is 1 July 2022. The impact of adoption of this standard on the Group's financial results has not been assessed.

- AASB 2017-7: *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*: This is an amendment to AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128. Application date of this standard is 1 January 2019, and application date for the Group is 1 July 2019. The impact of adoption of this standard on the Group's financial results has not been assessed.

- AASB 2018-1: *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*: Amendments to AASB 3, AASB 11, AASB 112 and AASB 123 and clarifies a number of issues and disclosure requirements contained within these standards. Application date of this standard is 1 January 2019, and application date for the Group is 1 July 2019. The impact of adoption of this standard on the Group's financial results has not been assessed.

- AASB Interpretation 23: *Uncertainty over Income Tax Treatments*: This interpretation addresses the accounting for income taxes where tax treatments involve uncertainty that affects the application of AASB 112. The interpretation does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Application date of this standard is 1 January 2019, and application date for the Group is 1 July 2019. The impact of adoption of this standard on the Group's financial results has not been assessed.

The impacts of all other standards and amendments to accounting standards that have been issued by the AASB but are not yet effective for the year ended 30 June 2018, 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

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

(c) Summary of significant accounting policies (continued)

(ii) Business combinations (continued)

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 de-recognised, and transferred to the financial liability and any difference between the change in fair value of the financial liability and the non-controlling interest de-recognised 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 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

(c) Summary of significant accounting policies (continued)

(ix) Derivative financial instruments and hedging (continued)

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 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.

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

(c) Summary of significant accounting policies (continued)

(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.

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.

(c) Summary of significant accounting policies (continued)

(xvii) Property, plant & equipment (continued)

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 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.

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

(c) Summary of significant accounting policies (continued)

(xx) Intangible assets (continued)

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 15 years.
Internally generated or acquired: Acquired
Impairment testing: When an indication of impairment exists. The amortisation method and remaining useful life are reviewed at each financial year-end.

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 render services in exchange for shares or rights over shares (equity-settled transactions). The plans currently in place to provide these benefits are the Company's Executive Share Plan and Loan Facility and the 2012 Option Plan for the Company's Chief Executive Officer. 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

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

(c) Summary of significant accounting policies (continued)

(xxvi) Share-based payment transactions (continued)

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 2018 and 30 June 2017 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.

(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.

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

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

(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.

	2018 $'000	2017 $'000

2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

(a) Revenue

	2018 $'000	2017 $'000
Sale of goods	306,408	337,183
Rendering of services	645,028	659,275
Finance revenue	1,326	1,651
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
Total revenues	952,762	1,003,158

(b) Other income

	2018 $'000	2017 $'000
Management fees from –		
Other entities	8,388	7,976
Associates	396	709
Net gain on disposal of investments & business (for 2018 refer Note 11(a) and material items of income and expense in Reconciliation of Results contained in Directors' Report)	156,922	635
Unearned revenue written back	8,328	8,505
Commissions / fees received	6,887	5,929
Other	12,853	12,443
Total other income	193,774	36,197

(c) Share of net profits (losses) of equity-accounted investments

	2018 $'000	2017 $'000
Share of net profits (losses) of equity-accounted investments (refer Note 11)	904	(13,497)

(d) Expenses excluding finance costs

	2018 $'000	2017 $'000
Employee expenses –		
Employee benefits	18,330	17,573
Defined contribution superannuation expense	18,073	17,504
Share-based payment (credit) expense	(1)	414
Remuneration and other employee expenses	216,184	210,171
Total employee expenses	252,586	245,662
Cost of goods sold	126,408	120,669
Occupancy expenses –		
Operating lease rental – minimum lease payments	52,880	48,256
Operating lease rental – contingent rental payments	3,897	4,386
Other occupancy expenses	26,070	22,772
Total occupancy expenses	82,847	75,414
Film hire and other film expenses	223,651	246,998
Depreciation of –		
Buildings & improvements	4,208	4,089
Plant, equipment & vehicles	38,661	39,815
Amortisation of –		
Leasehold improvements	11,500	12,575
Finance lease assets	–	23
Software & other intangibles	16,370	16,928
Total depreciation and amortisation	70,739	73,430

	2018 $'000	2017 $'000

2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS (continued)

(d) Expenses excluding finance costs (continued)

	2018 $'000	2017 $'000
Net loss on disposal of property, plant & equipment	255	38
Net foreign currency losses (gains)	532	(115)
Impairment and other non-cash adjustments (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	167,435	88,811
Management and services fees paid	3,828	3,713
Theme park operating expenses	33,220	30,346
Repairs and maintenance	19,891	14,747
Advertising and promotions	98,395	116,399
Restructuring costs (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	7,589	6,668
Other provision reversed (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	–	(7,500)
Provision for doubtful debts (reversed)	(3)	408
Bad debts written off (recovered)	169	(75)
Other expenses	56,550	54,503
Total expenses excluding finance costs	1,144,092	1,070,116

(e) Finance costs

	2018 $'000	2017 $'000
Total finance costs before finance restructuring costs	30,635	31,715
Finance restructuring costs (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	850	–
Total finance costs	31,485	31,715

3 EARNINGS (LOSS) PER SHARE

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

(a) Earnings (loss) per share:

	2018	2017
Net profit (loss) attributable to ordinary equity holders of VRL		
Basic earnings (loss) per share	0.14 cents	(41.3) cents
Diluted earnings (loss) per share	0.14 cents	(41.3) cents
Net profit (loss) from continuing operations attributable to ordinary equity holders of VRL		
Basic earnings (loss) per share	0.14 cents	(41.3) cents
Diluted earnings (loss) per share	0.14 cents	(41.3) cents

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

	2018 $'000	2017 $'000
Net loss from continuing operations	(3,411)	(65,622)
Net loss (profit) attributable to non-controlling interest from continuing operations	3,630	(1,096)
Net profit (loss) attributable to ordinary equity holders of VRL (from continuing operations & in total)	219	(66,718)

	2018 No. of Shares	2017 No. of Shares
Weighted average number of ordinary shares for basic earnings per share	161,855,150	161,607,443
Weighted average number of ordinary shares for diluted earnings per share[1]	161,855,150	162,107,143

1 The issued options were reviewed and determined to represent nil potential ordinary shares as at 30 June 2018 as these options would have an antidilutive effect on earnings per share (2017: 499,700 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 earnings (loss) per share calculation.

	2018 $'000	2017 $'000

4 INCOME TAX

(a) Major components of income tax benefit from continuing operations for the years ended 30 June 2018 and 2017 are:

	2018 $'000	2017 $'000
Statement of Comprehensive Income		
Current income tax		
Current income tax expense	(3,858)	(5,959)
Deferred income tax		
Relating to origination and reversal of temporary differences	24,586	20,484
Movements taken up in Other Comprehensive Income instead of income tax benefit (expense)	3,998	(4,174)
Income tax benefit reported in statement of comprehensive income – continuing operations	24,726	10,351

(b) A reconciliation of income tax benefit applicable to accounting loss before income tax at the statutory income tax rate to income tax benefit at the Group's effective income tax rate is as follows:

	2018 $'000	2017 $'000
Net loss before income tax	(28,137)	(75,973)
At the statutory income tax rate of 30% (2017: 30%)	8,441	22,792
Adjustments in respect of current income tax of previous years	–	(679)
Non-assessable income / expense reversals	47,077	3,761
Non-deductible expenses	(325)	(434)
After-tax equity-accounted profits (losses) included in pre-tax loss	271	(4,259)
Net deferred tax balances recognised / de-recognised (refer income tax benefit material items, in Reconciliation of Results contained in Directors' Report)	18,439	2,132
Deferred tax balances not recognised	(49,037)	(12,302)
Other	(140)	(660)
Total income tax benefit – continuing operations – at effective tax rate of 87.9% (2017: 13.6%)	24,726	10,351

(c) Deferred tax

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Property, plant & equipment	31,373	27,303	(4,070)	4,899
Film distribution royalties	28,990	30,498	1,508	4,233
Intangible assets	2,587	2,645	58	907
Unrealised foreign currency gains	2,898	595	(2,303)	4,714
Derivatives	365	19	(346)	359
Other	1,956	1,366	(590)	712
Net-down with deferred tax assets	(63,418)	(39,734)	–	–
Total deferred income tax liabilities	4,751	22,692		
Deferred tax assets				
Post-employment benefits	9,589	9,262	327	(113)
Property, plant & equipment	20,808	18,456	2,352	5,154
Sundry creditors & accruals	2,118	1,680	438	(130)
Provisions and unrealised foreign currency losses	2,832	2,316	516	(1,258)
Unearned income	26,144	4,424	21,720	(14)
Balance remaining from business combination in 2016	123	685	(562)	(1,719)
Capitalised development costs	–	1,391	(1,391)	(58)
Derivatives	29	907	(878)	(1,075)
Benefits from revenue losses & prepaid income tax	11,169	–	11,169	–
Other	2,023	1,387	636	(301)
Net-down with deferred tax liabilities	(63,418)	(39,734)	–	–
Total deferred income tax assets	11,417	774		
Deferred income tax benefit			28,584	16,310

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

	2018 $'000	2017 $'000
Benefits for capital losses	25,293	10,474

4 INCOME TAX (continued)

Village Roadshow Limited – Tax Consolidation

Effective from 1 July 2003, VRL and its relevant wholly-owned entities have formed a Tax Consolidated group. Members of the Tax Consolidated group have 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 2018, VRL recognised an increase in current tax liabilities of $7.5 million (2017: $13.4 million), and an increase in inter-company receivables of $7.5 million (2017: $13.4 million) in relation to tax consolidation contribution amounts.

	2018 $'000	2017 $'000

5 DIVIDENDS DECLARED[1]

(a) Declared during the year

	2018 $'000	2017 $'000
Final dividend on ordinary shares of nil cents per share (2017: 14.0 cents per share fully-franked)	–	22,556
	–	22,556

(b) Declared subsequent to year-end

	2018 $'000	2017 $'000
Final dividend on ordinary shares of nil cents per share (2017: nil cents per share)	–	–
	–	–

1 The tax rate at which paid dividends in 2017 were franked was 30%.

6 CASH AND CASH EQUIVALENTS / FINANCING FACILITIES

(a) Reconciliation of cash

	2018 $'000	2017 $'000
Cash on hand and at bank[1]	62,943	85,907
Deposits at call	450	14,493
Total cash and cash equivalents – continuing operations	63,393	100,400

1 Cash on hand and at bank includes $2.9 million (2017: $5.5 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:

	2018 $'000	2017 $'000
Total cash and cash equivalents – continuing operations	63,393	100,400
Total cash and cash equivalents for the purposes of the statement of cash flows	63,393	100,400

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

	2018 $'000	2017 $'000
Net loss	(3,411)	(65,622)
Adjustments for:		
Depreciation	42,869	43,904
Amortisation	27,870	29,526
Impairment and other non-cash adjustments (refer Note 2(d))	167,435	88,811
Provisions	1,725	(8,391)
Shared-based payment (credit) expense	(1)	414
Net gains on disposal of assets (refer Note 2(b) and Note 2(d))	(156,667)	(597)
Unrealised foreign currency loss (gains)	396	(181)
Difference between interest expense and interest paid on finance lease liability	1,462	–
Difference between equity-accounted results and cash dividends/interest received	115	31,176
Changes in assets and liabilities:		
Decrease – trade and other receivables	13,320	23,483
Decrease – trade and other payables	(59,175)	(1,099)
Increase – net current tax assets	(20,769)	(11,379)
Decrease – unearned income	(14,008)	(1,380)
Increase – other payables and provisions	3,110	155
(Increase) decrease – inventories	(3,203)	3,637
Decrease – capitalised borrowing costs	2,082	1,357
Increase (decrease) – deferred and other income tax liabilities	6,299	(5,877)
(Increase) decrease – prepayments and other assets	(1,540)	2,923
Decrease (increase) – film distribution royalties	13,457	(302)
Net operating cash flows	21,366	130,558

(c) Financing facilities available

At reporting date, the following financing facilities were available:

	2018 $'000	2017 $'000
Total facilities	436,756	662,534
Facilities used at reporting date	405,756	632,534
Facilities unused at reporting date	31,000	30,000

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 $31.0 million.

6 CASH AND CASH EQUIVALENTS / FINANCING FACILITIES (continued)

(d) Reconciliation of movements in interest bearing loans & borrowings to cash flows arising from financing activities

	Current Interest Bearing Loans & Borrowings	Non-current Interest Bearing Loans & Borrowings	Total
Balance as at 30 June 2017	1,072	626,418	627,490
Changes from financing cash flows:			
Proceeds from borrowings	–	39,000	39,000
Repayment of borrowings	(1,064)	(265,811)	(266,875)
Total changes from financing cash flows	(1,064)	(226,811)	(227,875)
Non-cash changes:			
Effect of changes in exchange rates	43	219	262
Amortisation of capitalised borrowing costs	–	2,013	2,013
Other changes	6,815	(6,815)	–
Balance as at 30 June 2018	**6,866**	**395,024**	**401,890**

	2018 $'000	2017 $'000

7 TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Current:		
Trade and other receivables	119,715	129,495
Provision for impairment loss (a)	(415)	(1,195)
	119,300	128,300
Non-current:		
Trade and other receivables	23,890	18,300
Due from associates	26,215	36,885
Provision for impairment loss (b)	(26,180)	(36,885)
	35	–
	23,925	18,300

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

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

	2018	2017
0 to 3 months	140,602	142,949
> 3 months[1]	2,588	3,652
0 to 3 months – CI*	60	497
3 to 6 months – CI*	–	59
> 6 months – CI*	355	638
Total trade and other receivables before provisions	143,605	147,795

* Considered Impaired ("CI")

1 Includes receivables past due but not considered impaired of $0.2 million in 2018 (2017: $3.2 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 which remained uncollected was $20.0 million, of which the Group continued to recognise $10.0 million. Subsequent to 30 June 2017, all amounts that had been sold were collected.

Movements in the provision for impairment loss were as follows:

	2018	2017
Carrying amount at beginning	1,195	5,188
Charge for the year	258	543
Foreign exchange translation	(1)	(8)
Amounts written off for the year	(1,037)	(4,528)
Carrying amount at end	415	1,195

(b) Due from associates and provision for impairment loss

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

	2018	2017
0 to 3 months – CI*	26,215	36,885
Total due from associates before provisions	26,215	36,885

* Considered Impaired ("CI")

Receivables past due but not considered impaired are nil (2017: nil).

	2018 $'000	2017 $'000

7 TRADE AND OTHER RECEIVABLES (continued)

(b) Due from associates and provision for impairment loss (continued)

	2018 $'000	2017 $'000
Movements in the provision for impairment loss were as follows:		
Carrying amount at beginning	36,885	24,188
Increase for the year	3,231	25,824
Decrease for the year	(13,936)	(13,127)
Carrying amount at end	26,180	36,885

8 INVENTORIES

	2018 $'000	2017 $'000
Current:		
Merchandise held for resale – at cost	25,670	23,880
Provision for stock loss	(2,092)	(2,588)
	23,578	21,292

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 2018

	Goodwill $'000	Brand Names[1] $'000	Software & Other $'000	Total $'000
At 1 July 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
Year ended 30 June 2018				
At 1 July 2017, net of accumulated amortisation and impairment	306,073	27,660	48,137	381,870
Additions / transfers	–	–	16,064	16,064
Net currency movements arising from investments in foreign operations	2,101	–	51	2,152
Impairment	(125,000)	–	(3,706)	(128,706)
Disposals	–	–	(255)	(255)
Transferred to Assets held for sale	–	–	(1,080)	(1,080)
Amortisation – refer Note 2(d)	–	–	(16,370)	(16,370)
Net carrying amount	183,174	27,660	42,841	253,675
At 30 June 2018				
Cost	315,978	31,680	110,699	458,357
Accumulated amortisation and impairment	(132,804)	(4,020)	(67,858)	(204,682)
Net carrying amount	183,174	27,660	42,841	253,675

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 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

1 In 2018 and 2017, all of the brand names relate to the Village Roadshow Theme Parks group.

9 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

(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 10.4% to 13.0% (2017: 10.6% to 13.1%) for Australian based CGU's and 9.8% to 11.3% (2017: 9.6% to 10.5%) 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 2.75% (2017: 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 2018 balances as follows:
- Village Roadshow Theme Parks group – $42.1 million (2017: $137.1 million) (re: Australian Theme Park interests)
- Roadshow Distributors Pty. Ltd. group – $27.1 million (2017: $57.1 million) (re: Film Distribution interests)
- Village Cinemas Australia Pty. Ltd. group – $47.2 million (2017: $47.2 million) (re: Australian Cinemas Exhibition interests)
- Village Roadshow Digital Pty. Ltd. group – $22.3 million (2017: $22.3 million) (re: Australian Marketing Solutions interest)
- Edge UK Holdings Ltd. group – $44.5 million (2017: $42.4 million) (re: UK Marketing Solutions interest)

Impairment losses recognised:
In the year ended 30 June 2018, the financial performance of the Gold Coast Theme Parks continued to be significantly impacted by the tragic incident at a competitor park in the previous financial year. As a result, an impairment loss on goodwill of $95.0 million was recognised relating to the Theme Parks segment and thereby reducing the carrying value of the CGU to its recoverable amount (2017: brand names of $3.4 million and software and other of $1.1 million relating to both Gold Coast and Wet'n'Wild Sydney were impaired). Following the announcement on 2 July 2018, that the VRL group signed an agreement on 29 June 2018 to sell Wet'n'Wild Sydney, impairment losses on software and other intangible assets of $3.7 million were recognised to reduce the carrying amount to fair value less costs of disposal. There is no goodwill recognised relating to Wet'n'Wild Sydney. Assets relating to Wet'n'Wild Sydney have been classified as Held for Sale at 30 June 2018. Refer to note 14 for further information.

In the year ended 30 June 2018, as a result of decline in the physical market and underperformance of certain film titles, an impairment loss on goodwill of $30.0 million (2017: nil) was recognised relating to the Film Distribution segment and thereby reducing the carrying value of the CGU to its recoverable amount.

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 (2018: $27.7 million, 2017: $27.7 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 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 impairments noted above, it is also noted that if the recovery of earnings at the Gold Coast Theme Parks and the Film Distribution segment is lower than currently forecast, there may be a risk of further impairment.

10 OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES

(a) Other Assets

	2018 $'000	2017 $'000
Current:		
Prepayments	6,233	6,420
Work in progress	2,973	1,947
Other assets	977	796
	10,183	9,163
Non-current:		
Security deposits	294	244
Other assets	–	3,280
	294	3,524

(b) Film Distribution Royalties

	2018 $'000	2017 $'000
Opening balance	127,205	144,585
Additions	72,259	78,845
Foreign currency movements	1,934	(2,986)
Impairment and other non-cash adjustments (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)[1]	(2,526)	(17,683)
Film hire and other film expenses	(87,651)	(75,556)
	111,221	127,205

1 Following a detailed analysis of film distribution royalty amounts in the Film Distribution segment in the year ended 30 June 2018, impairment and other non-cash adjustments totalling $1.8 million (2017: $12.4 million) after tax were recognised.

	2018 $'000	2017 $'000
Current film distribution royalties	47,704	57,310
Non-current film distribution royalties	63,517	69,895
	111,221	127,205

	2018 $'000	2017 $'000

11 INVESTMENTS – EQUITY-ACCOUNTED

	2018 $'000	2017 $'000
Non-current:		
Investments – equity-accounted	31,742	30,037

(a) Detailed information: Dartina Development Limited ("Dartina"):

(i) Nature of Relationship and Ownership Percentage:

As advised to the Australian Securities Exchange on 13 June 2017 (and updated on 11 August 2017), the VRL group signed an agreement to sell its 50% stake in the Singapore Cinema Exhibition business, Golden Village to mm2 Asia Ltd. As a result, effective from 1 June 2017, the investment in the holding company, Dartina Development Ltd. ("Dartina"), had been classified as Held for Sale, and equity accounting ceased from that date. A dividend of $5.0 million was received from Dartina in June 2017, which has been included in material items of income and expense in 2017 in the Reconciliation of Results contained in the Directors' Report.

As advised to the Australian Securities Exchange in October 2017, the VRL group signed an agreement to sell its 50% stake in Golden Village to Orange Sky Golden Harvest Entertainment (Holdings) Limited, the owner of the other 50% of Golden Village. The sale was completed on 26 October 2017. The gain on disposal of this Asset Held for Sale was $154.0 million after tax (included in the current period's material items of income and expense in the Reconciliation of Results included in the Directors' Report).

(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.

(iii) Dividends Received:

In the year ended 30 June 2018, the VRL group received nil (2017: $22.0 million) in dividends from Dartina.

	2018 $'000	2017 $'000
(iv) Summarised Financial Information (at 100%):		
Gain on disposal of investment (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	154,006	–
Asset held for sale	–	11,839
Amount included in accumulated Other Comprehensive Income	–	(2,549)

	11 months ended 31 May 2017 $'000
Total income	133,523
Operating profit after tax – continuing operations	16,770
Total operating profit after tax	16,770
Other Comprehensive Expense	(915)
Total Comprehensive Income	15,855
Equity-accounted share of Dartina's profit after tax	8,385

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

(i) Nature of Relationship and Ownership Percentage:

As advised to the Australian Securities Exchange on 20 April 2017, there was a 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%. During the year ended 30 June 2018, the VRL group disposed of its 50.17% shareholding in the dormant former parent entity, Entertainment Group Holdings Ltd., for no consideration.

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.

VREG is 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 2018, no cash interest was included in equity-accounted results (2017: A$0.7 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 2018, the VRL group did not receive any dividends from VREG (2017: nil).

11 INVESTMENTS – EQUITY-ACCOUNTED (continued)

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

	2018 $'000	2017 $'000
(iv) Summarised Financial Information (at 100%):		
Current assets	66,719	93,852
Non-current assets	367,987	280,228
Current liabilities	119,705	108,439
Non-current liabilities	1,128,528	1,386,606
Equity (deficiency)	(813,527)	(1,120,965)
Carrying value of investment	–	–
Total income	144,575	271,856
Operating profit (loss) after tax – continuing operations	65,353	(153,207)
Operating profit after tax – discontinued operations	–	–
Total operating profit (loss) after tax	65,353	(153,207)
Other Comprehensive (expense) income	(553)	332
Total Comprehensive income (expense)	64,800	(152,875)
Equity-accounted share of VREG's loss after tax	–	(5,929)
Cumulative unrecognised share of VREG's losses after income tax due to discontinuation of equity method (2018: 20% and 2017: 50.17%/20%)	(160,617)	(334,903)

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 2018, the VRL group received $1.0 million in dividends from FilmNation (2017: nil).

	2018 $'000	2017 $'000
(iv) Summarised Financial Information (at 100%):		
Current assets	121,035	66,633
Non-current assets	36,128	16,721
Current liabilities	84,838	23,649
Non-current liabilities	25,247	9,312
Equity	47,078	50,393
Carrying value of investment	30,750	29,254
Total income	47,597	137,682
Operating profit after tax – continuing operations	3,603	10,367
Operating profit after tax – discontinued operations	–	–
Total operating profit after tax	3,603	10,367
Other Comprehensive Income	–	–
Total Comprehensive Income	3,603	10,367
Equity-accounted share of FilmNation's profit after tax	1,118	3,217

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 Entertainment Inc. group, including iPic-Gold Class Entertainment LLC ("IGCE"):

(i) Nature of Relationship and Ownership Percentage:

As advised to the Australian Securities Exchange on 2 February 2018, the new holding company of IGCE, IPic Entertainment Inc., was listed on NASDAQ and funding of USD 15 million was raised from that listing.

Following that restructuring, the VRL group's shareholding in the iPic Entertainment Inc. group has reduced to 24.5% (2017: 28.01% in IGCE). In addition, the previous 42.86% shareholding in VR iPic Finance LLC has reduced to nil, and VRL's guarantee exposure in relation to the iPic business has reduced from USD 24.2 million to USD 5.6 million (refer also Note 22(a)(iv)). There is no other recourse to the VRL group.

iPic Entertainment Inc. is classified as an associate for accounting purposes. The fair value of the VRL group's investment in the iPic Entertainment Inc. group at 30 June 2018 based on the quoted market price was USD 22.6 million.

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

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

(iii) Dividends Received:

In the year ended 30 June 2018, the VRL group did not receive any dividends from the iPic Entertainment Inc. group (2017: nil).

	2018 $'000	2017 $'000
(iv) Summarised Financial Information (at 100%):		
Current assets	17,931	11,693
Non-current assets	187,559	200,537
Current liabilities	33,844	99,343
Non-current liabilities	298,558	243,843
Equity (deficiency)	(126,912)	(130,956)
Carrying value of investment	–	–
Total income	182,289	173,412
Operating loss after tax – continuing operations	(76,922)	(47,658)
Operating profit after tax – discontinued operations	–	–
Total operating loss after tax	(76,922)	(47,658)
Other Comprehensive Income	–	–
Total Comprehensive Expense	(76,922)	(47,658)
Equity-accounted share of iPic Entertainment Inc. group loss after tax	–	(19,196)
Cumulative unrecognised share of iPic Entertainment Inc. group losses after income tax due to discontinuation of equity method (2018: 24.5% and 2017: 28.01%)	(28,151)	(14,955)

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

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

	2018 $'000	2017 $'000
(i) Aggregated financial information – other equity-accounted investments:		
Carrying value of investment	992	783
Share of operating (loss) profit after tax	(214)	26
Share of other Comprehensive Income	–	–
Share of Total Comprehensive (Expense) Income	(214)	26

(f) Contingent liabilities of equity-accounted investments:

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

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 2018	% INTEREST HELD 2017
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[1]	Sports entertainment operator	66.67%	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%

1 Effective from 13 August 2018, the ownership percentage of the Topgolf Joint Venture by the VRL group's joint venture partner, Topgolf Australia Pty. Ltd. has reduced from 33.33% at 30 June 2018 down to 3.7%. As a result, the VRL group's ownership percentage in the Topgolf Joint Venture has increased from 66.67% at year end to 96.3% (refer Note 27 and Note 33 for further information).

There were no impairment losses in the joint operations.

13 SUBSIDIARIES

NAME	COUNTRY OF INCORPORATION[1]	% OWNED 2018	% OWNED 2017
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	United Kingdom	80.00%	80.00%
Edge PRI (Asia) Pte. Limited[2]	Singapore	100.00%	–
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%
Lyfe Loyalty Pty. Limited (previously called Village Roadshow Hainan Pty. Limited)	Australia	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%
Opia (Thailand) Limited[2]	Thailand	80.00%	–
PC Subscription Limited[2]	United Kingdom	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	Australia	99.00%	99.00%
RPRD #2 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%
Sincled 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	Australia	100.00%	100.00%
Village Online Investments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow (Fiji) Limited	Fiji	100.00%	100.00%
Village Roadshow 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%

13 SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION[1]	% OWNED 2018	% OWNED 2017
Village Roadshow Exhibition Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Group Services 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 Intencity 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%
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 Operations (Zhuhai) Co. Limited[2]	China	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[3]	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.
3 Refer to Note 27 for further information regarding the sale of Wet'n'Wild Sydney.

14 PROPERTY, PLANT & EQUIPMENT

	2018 $'000	2017 $'000
Land:		
At cost	10,084	34,413
Finance lease asset:		
At cost	101,500	–
Buildings & improvements:		
At cost	144,822	140,625
Less depreciation and impairment	(45,516)	(41,228)
	99,306	99,397
Capital work in progress:		
At cost less impairment	17,676	15,919
Leasehold improvements:		
At cost	281,712	334,301
Less amortisation and impairment	(133,300)	(167,246)
	148,412	167,055
Plant, equipment & vehicles:		
At cost	691,164	731,846
Less depreciation and impairment	(428,199)	(432,817)
	262,965	299,029
	639,943	615,813

14 PROPERTY, PLANT & EQUIPMENT (continued)

(a) Reconciliations

	2018 $'000	2017 $'000
Land:		
Carrying amount at beginning	34,413	34,534
Additions	1,676	–
Disposals – refer Note 32	(26,220)	–
Net foreign currency movements arising from investments in foreign operations	215	(121)
Carrying amount at end	10,084	34,413
Finance lease asset:		
Carrying amount at beginning	–	–
Addition – refer Note 32	101,500	–
Carrying amount at end	101,500	–
Buildings & improvements:		
Carrying amount at beginning	99,397	79,396
Additions / transfers	15,420	24,618
Net foreign currency movements arising from investments in foreign operations	586	(528)
Disposals	(514)	–
Transferred to Assets held for sale	(11,375)	–
Depreciation expense	(4,208)	(4,089)
Carrying amount at end	99,306	99,397
Capital work in progress:		
Carrying amount at beginning	15,919	25,318
Additions	43,900	17,483
Net foreign currency movements arising from investments in foreign operations	14	(10)
Disposals	–	(8,653)
Transferred to Assets held for sale	(473)	–
Transfers	(41,684)	(18,219)
Carrying amount at end	17,676	15,919
Leasehold improvements:		
Carrying amount at beginning	167,055	202,310
Additions / transfers	16,555	14,878
Net foreign currency movements arising from investments in foreign operations	1	(1)
Impairment[1]	(12,160)	(37,460)
Disposals	(24)	(97)
Transferred to Assets held for sale	(11,515)	–
Amortisation expense	(11,500)	(12,575)
Carrying amount at end	148,412	167,055
Plant, equipment & vehicles:		
Carrying amount at beginning	299,029	345,261
Additions / transfers	34,307	23,632
Impairment[1]	(16,480)	(29,179)
Net foreign currency movements arising from investments in foreign operations	53	(508)
Disposals	(194)	(339)
Transferred to Assets held for sale	(15,089)	–
Depreciation expense	(38,661)	(39,838)
Carrying amount at end	262,965	299,029

1 Impairment losses for property, plant & equipment of $28.6 million were recognised for continuing operations in the year ended 30 June 2018 (2017: $66.6 million), related to the Theme Parks segment (2017: $66.5 million relating to the Theme Parks segment and $0.1 million related to the Cinema Exhibition segment). In addition, impairment losses on software and other intangible assets of $3.7 million were recognised in the year ended 30 June 2018 (2017: brand names of $3.4 million and software and other intangible assets of $1.1 million), also relating to the Theme Parks segment. Following the announcement on 2 July 2018, that the VRL group signed an agreement on 29 June 2018 to sell Wet'n'Wild Sydney, impairment losses on property, plant & equipment of $20.1 million were recognised to reduce the carrying amount to fair value less costs of disposal. Assets relating to Wet'n'Wild Sydney have been classified as Held for Sale at 30 June 2018. Refer to Note 9 for further information.

Impairment losses on property, plant & equipment of $8.5 million were recognised in relation to Wet'n'Wild Las Vegas which is in the Theme Parks segment. For the Wet'n'Wild Las Vegas assessment, the pre-tax discount range used was 8.1% to 9.6% and the recoverable amount was based on fair value less costs of disposal. Cash flows beyond five years were extrapolated using a terminal growth rate of 2.5%, and the latest updated forecasts were used in the impairment review, which were lower than the forecasts included in the latest 5 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 2018.

14 PROPERTY, PLANT & EQUIPMENT (continued)

(a) Reconciliations (continued)

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 of the Theme Parks segment is lower than currently forecast, there may be a risk of further impairment.

	2018 $'000	2017 $'000
15 TRADE AND OTHER PAYABLES		
Current:		
Trade and sundry payables	202,777	262,956
Non-current:		
Trade and sundry payables	39,227	29,040
Owing to other	3,509	2,307
	42,736	31,347

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

16 INTEREST BEARING LOANS AND BORROWINGS

	2018 $'000	2017 $'000
Current:		
Secured borrowings	6,866	1,072
Non-current:		
Secured borrowings	395,024	626,418

Terms and conditions relating to the VRL group finance facility

The VRL group finance facility is fully revolving, with no scheduled or conditional amortisation payments, and comprises two tranches of $375 million and $50 million (2017: $480 million and $170 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 VRL group finance facility requires the Group to meet certain debt covenants. The Group is in compliance with these covenants at 30 June 2018.

	2018 $'000	2017 $'000
17 PROVISIONS		
Current:		
Employee benefits	31,533	30,063
Other	3,216	1,807
	34,749	31,870
Non-current:		
Employee benefits	1,057	1,133
Make good provision	4,628	4,463
Other	4,907	3,354
	10,592	8,950
Employee benefit liabilities:		
Provision for employee benefits -		
Current	31,533	30,063
Non-current	1,057	1,133
Aggregate employee benefit liabilities	32,590	31,196

(a) Reconciliations

	2018 $'000	2017 $'000
Make good provision:		
Carrying amount at the beginning of the financial year	4,463	4,376
Amounts added during the year	500	–
Amounts utilised or written back during the year	(501)	–
Discount adjustment	166	87
Carrying amount at the end of the financial year	4,628	4,463
Other provisions:		
Carrying amount at the beginning of the financial year	5,161	12,535
Increase in provision	4,138	558
Amounts utilised or written back during the year	(1,188)	(7,932)
Foreign currency movements	12	–
Carrying amount at the end of the financial year	8,123	5,161

17 PROVISIONS (continued)

(a) Reconciliations (continued)

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 mainly comprise of rent incentive provisions which are being amortised over the life of the corresponding leases, with the balance relating to various other matters. In the year ended 30 June 2017, an onerous lease provision of $7.5 million was reversed (refer material items of income and expense in the Reconciliation of Results contained in the Directors' Report).

	2018 $'000	2017 $'000

18 UNEARNED REVENUE AND OTHER LIABILITIES

	2018 $'000	2017 $'000
Current:		
Unearned revenue	50,128	59,528
Non-current:		
Unearned revenue[1]	80,246	12,674
Other	1,240	613
	81,486	13,287

1 The increase in non-current unearned revenue relates to the deferred gain on the sale and long-term leaseback of the VRL group's freehold land on the Gold Coast. As at 30 June 2018, the unearned revenue amounts to $72.2 million. Refer to Note 32 for further information.

19 CONTRIBUTED EQUITY

	2018 $'000	2017 $'000
Issued and fully paid up capital:		
Ordinary shares	244,428	244,421
Employee share loans deducted from equity[1]	(18,880)	(19,245)
	225,548	225,176

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 2018 and 2017 years, movements in fully paid ordinary shares on issue were as follows:

	CONSIDERATION		NO. OF SHARES	
	2018 $'000	2017 $'000	2018 Thousands	2017 Thousands
Beginning of the financial year	244,421	241,100	161,830	161,104
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
Allotment – September 2017 at $3.73 – Directors' Share Plan	73	–	20	–
Allotment – December 2017 at $3.91 – Directors' Share Plan	72	–	19	–
Allotment – March 2018 at $3.42 – Directors' Share Plan	72	–	21	–
Buy-back – May 2018 at $4.72 – Executive Share Plan	(283)	–	(60)	–
Allotment – June 2018 at $2.40 – Directors' Share Plan	73	–	30	–
End of the financial year	244,428	244,421	161,860	161,830

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. Following the pro-rata non-renounceable 5 for 26 rights issue in July 2018, the exercise price of the options was reduced to $3.41. 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, 750,000 second tranche options and 750,000 third 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 and 750,000 third tranche options due to vest on 1 March 2018 vested as the DPS CAGR hurdles were met, and remain unexercised at 30 June 2018. The names of all persons who currently hold options are entered in the register kept by the Company, which may be inspected free of charge.

19 CONTRIBUTED EQUITY (continued)

Issued Options: (continued)

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	$3.41
750,000	1 March 2019	$3.41

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.

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 structure and use gearing ratios as a key metric for this analysis (net debt/total capital). The gearing ratios at 30 June 2018 and 2017 were as follows:

	2018 $'000	2017 $'000
Total borrowings	401,890	627,490
Less cash and cash equivalents	(63,393)	(100,400)
Net debt	338,497	527,090
Total equity	393,811	400,132
Total capital	732,308	927,222
Gearing ratio	46%	57%

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

	2018 $'000	2017 $'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.

	2018 $'000	2017 $'000
Balance at beginning of year	(3,649)	(3,800)
Amount relating to translation of accounts and net investments before tax effect	(2,767)	(4,740)
Tax effect of relevant movements for year	(2,750)	4,891
Balance at end of year	(9,166)	(3,649)

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.

	2018 $'000	2017 $'000
Balance at beginning of year	(2,705)	(3,743)
Movement on effective hedging instruments during the year before tax effect	3,492	1,755
Tax effect of movement on effective hedging instruments during the year	(1,248)	(717)
Balance at end of year	(461)	(2,705)

Available-for-sale reserve:

This reserve records the change in fair value in available-for-sale financial assets.

	2018 $'000	2017 $'000
Balance at beginning of year	–	–
Gain on available-for-sale investments	364	–
Balance at end of year	364	–

Asset revaluation reserve:

The asset revaluation reserve is used to record uplifts on assets owned following business combinations.

	2018 $'000	2017 $'000
Balance at beginning of year	91,474	91,474
Balance at end of year	91,474	91,474

20 RESERVES AND RETAINED EARNINGS (continued)

	2018 $'000	2017 $'000
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	13,244	12,830
Share-based payment movements	(1)	414
Balance at end of year	13,243	13,244
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	(8,856)	(15,566)
Change in fair value	(168)	6,710
Balance at end of year	(9,024)	(8,856)
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	86,774	89,852
Retained earnings:		
Balance at the beginning of year	70,290	159,564
Net profit (loss) attributable to members of VRL	219	(66,718)
Total available for appropriation	70,509	92,846
Dividends and distributions provided or paid	–	(22,556)
Balance at end of year	70,509	70,290

21 NON-CONTROLLING INTEREST

	2018 $'000	2017 $'000
Non-controlling interest in subsidiaries:		
Contributed equity / other	17,965	17,263
Retained earnings	(6,985)	(2,449)
	10,980	14,814

22 CONTINGENCIES

(a) Contingent liabilities

	2018 $'000	2017 $'000
Best estimate of amounts relating to:		
(i) Joint and several obligations for operating lease commitments of partners in joint operations[1]	4,371	8,140
(ii) Corporate guarantees for commitments of subsidiaries	–	132
	4,371	8,272

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)(iii) in the 30 June 2017 financial report, as updated in the 31 December 2017 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 requested by the ATO during the year to 30 June 2018. In July 2018, the ATO issued a further request for information and VRL has provided information in relation to this further request. VRL does not currently believe that any material impact will result from the Tax Audit.

(iv) Guarantee issued in relation to Associate:

As disclosed in Note 22(a)(v) in the 30 June 2017 financial report, as updated in the 31 December 2017 half-year financial report, VRL had procured a bank guarantee to support the financing of an associated entity, VR iPic Finance LLC ("VRIF"), in which the VRL group previously had a 42.86% (3/7th) interest. VRIF had obtained debt financing to contribute funds to iPic-Gold Class Entertainment LLC ("IGCE"), which is also an associated entity of VRL (now held indirectly through iPic Entertainment Inc.). Following a restructuring of IGCE and VRIF in February 2018 (refer also Note 11(d)), VRL's guarantee exposure in relation to the iPic business has reduced from USD 24.2 million to USD 5.6 million.

22 CONTINGENCIES (continued)

(b) Contingent assets

In the event that any entity in the Group is required to meet a joint venture or partnership liability in excess of its proportionate share, that entity has right of recourse against the co-joint venturers or other partners in respect of that excess. Specifically, the Group has a contingent asset for the amount of the following joint and several operating lease commitments in the event that it is called upon to meet liabilities of the other joint venturers:

	2018 $'000	2017 $'000
(i) Right of recourse in relation to joint and several obligations for operating lease commitments of partners in joint operations[1]	4,371	8,140

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, office and attraction leases with terms of up to 15 years, however it does not include terms of renewal. In general, cinema, office and attraction 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 39 years, and the Wet'n'Wild Sydney ground lease, which has a remaining term of 45 years. Refer to Note 27 for the expected sale of Wet'n'Wild Sydney.

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

	2018 $'000	2017 $'000
(i) Operating leases – Minimum lease payments:		
Payable within 1 year	53,340	46,858
Payable between 1 and 5 years	162,423	139,575
Payable after 5 years	254,385	245,225
	470,148	431,658
(ii) Operating leases – Percentage based lease payments:[1]		
Payable within 1 year	3,340	5,444
Payable between 1 and 5 years	11,384	19,544
Payable after 5 years	15,239	24,560
	29,963	49,548
Total operating lease commitments	500,111	481,206

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.

	2018 $'000	2017 $'000
(b) Other expenditure commitments		
Estimated capital and other expenditure contracted for at reporting date but not provided for:	7,063	27,801

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	
	2018 $	2017 $
Short-Term	7,152,668	8,147,420
Post-Employment	174,194	228,597
Other Long-Term	483,314	(330,093)
Sub-totals	7,810,176	8,045,924
Share-based Payment	(228,990)	111,422
Totals	7,581,186	8,157,346

(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 2018 was $242,965 (2017: $306,327). Other net reimbursement amounts paid by Peninsula Cinemas to the VRL group in relation to operational cinema matters in the year ended 30 June 2018 totalled $8,252 (2017: $21,006 paid by the VRL group to Peninsula Cinemas).

24 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Other transactions and balances with Key Management Personnel (continued)

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 $365,393 for the year ended 30 June 2018 (2017: $366,693). 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 nil for the year ended 30 June 2018 (2017: $8,619). The swimwear was purchased in 2017 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 2018, $2,685 of film royalties (2017: $6,185) were paid to VRC.

The VRL group recharged net occupancy costs for accommodation provided and received 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 by the VRL group for the various occupancy and other services in the year ended 30 June 2018 was $126,377 (2017: $160,292).

As at 30 June 2018, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was $63,940 (2017: $55,418), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was $36,997 (2017: $7,652).

Subsequent to 30 June 2018, the VRL group has been charged $87,966 for the provision of art works and related insurance costs by an entity associated with Mr. R.G. Kirby, in relation to the year ended 30 June 2018 (2017: nil).

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 2018 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 nil for the 2018 financial year (2017: $89,043).

25 SHARE-BASED PAYMENT PLANS (continued)

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

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

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 $12,483 for the 2018 financial year (2017: $55,675).

On 29 November 2012, 300,000 ordinary shares were allotted under the ESP to Ms. J.E. Raffe. The fair value of each 'in substance option' was estimated on the date of the grant using the binomial option pricing model with the following assumptions:
- Value per loan per share: $3.78;
- Expected volatility: 35% – based on historical volatility;
- Risk-free interest rate: 3.07% – based on the 8 year Australian Government bond yield; and
- Expected life of options: 8 years.

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

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of $8,688 for the 2018 financial year (2017: $31,730).

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 $7,597 for the 2018 financial year (2017: $27,745).

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 $14,074 for the 2018 financial year (2017: $47,275).

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 $237,057 for the 2018 financial year (2017: $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 2018 financial year (2017: $44,128).

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 $74,865 for the 2018 financial year (2017: $59,072).

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 $27,721 for the 2018 financial year (2017: $16,040).

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. Following the pro-rata non-renounceable 5 for 26 rights issue in July 2018, the exercise price of the options was reduced to $3.41.

The options were not transferable and did not confer any right to participate in bonus issues or cash issues of ordinary shares. The option exercise price 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 were exercisable subject to certain performance conditions not earlier than 1 March 2016; one and a half million options were 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 2018 (2017: one and a half million options).

The earnings per share ("EPS") performance hurdle had 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 had 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.

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)

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

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

Number of Options able to Vest if:	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.

In the year ended 30 June 2018, 50% of tranche three options vested as the DPS CAGR hurdle was met, and 50% did not vest as the EPS hurdle was not met. 50% of tranche two options due to vest on 1 March 2017 vested as the DPS CAGR hurdle was met, and 50% did not vest as the EPS hurdle was not 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 $419,969 for the 2018 financial year due to the amortisation reversal of lapsed options (2017: decrease of $166,624).

(iii) Holdings of Executive Directors and Senior Managers

There have been no allotments to KMP under any share-based payment plan during the year ended 30 June 2018 (2017: 189,000 ordinary shares).

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.

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

	2018 Number	2018 WAEP – $	2017 Number	2017 WAEP – $
Outstanding at beginning of year	7,913,027	3.78	8,304,027	3.66
Granted during the year	–	–	669,000	4.63
Forfeited/lapsed during the year	(810,000)	3.60	(750,000)	3.51
Exercised during the year	(90,000)	3.35	(310,000)	3.14
Outstanding at the end of the year	7,013,027	3.81	7,913,027	3.78
Exercisable at the end of the year	4,337,362	3.41	3,809,028	3.19

(v) The outstanding balance is represented by:

Executive Share Plan and Loan Facility: 5,513,027 'in substance options' over ordinary shares in the Company with issue prices ranging from $2.35 to $7.37.

Option Plan for CEO: 1,500,000 options over ordinary shares in the Company exercisable at $3.41 each with an expiry date of 1 March 2019.

26 REMUNERATION OF AUDITORS

	2018 $	2017 $
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	1,219,000	1,351,500
Other services in relation to VRL and any other entity in the VRL group:		
Tax	124,176	127,948
Advisory / Corporate Finance	2,159,505	70,025
Assurance related	37,065	33,405
	3,539,746	1,582,878

	2018 $	2017 $

26 REMUNERATION OF AUDITORS (continued)

	2018 $	2017 $
Auditors other than Ernst & Young (Australia) -		
An audit or review of the financial report of any other entity in the VRL group	170,851	164,844
Other services in relation to any entity in the VRL group:		
Tax	104,515	165,358
Advisory / Corporate Finance	–	12,839
Assurance related	–	7,569
	275,366	350,610
	3,815,112	1,933,488

27 EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following, there have been no material transactions which significantly affect the financial or operational position of the Group since the end of the financial year.

As advised to the Australian Securities Exchange on 2 July 2018, the VRL group signed an agreement on 29 June 2018 to sell its wholly owned Wet'n'Wild Water Park located in Western Sydney to Parques Reunidos. The sale is expected to generate net proceeds of approximately $37 million and is expected to complete around the end of the first quarter of FY2019. The sale has resulted in an impairment loss of $24.7 million in the year ended 30 June 2018, which has been included in material items of income and expense in the Reconciliation of Results contained in the Directors' Report. The assets and liabilities relating to the Wet'n'Wild Water Park in Sydney have been classified as Held for Sale at 30 June 2018.

As advised to the Australian Securities Exchange on 10 July 2018 (and updated a number of times in July and August 2018), the VRL group has completed a 5 for 26 pro-rata accelerated non-renounceable entitlement offer. The offer has raised net proceeds of approximately $50 million, and the net proceeds have been used to reduce the VRL group's borrowings.

Effective from 13 August 2018, the ownership percentage of the Topgolf Joint Venture ("Topgolf JV") by the VRL group's joint venture partner, Topgolf Australia Pty. Ltd. ("Topgolf Australia") has reduced from 33.33% at 30 June 2018 down to 3.7%. As a result, the VRL group's ownership percentage in the Topgolf JV has increased from 66.67% at year end to 96.3%. The amount receivable by the VRL group in relation to the Topgolf JV, which was approximately $10.9 million as at 30 June 2018, is still recoverable mainly through an increased share of property, plant & equipment. It is noted that Topgolf Australia has an option to increase its ownership in the Topgolf JV back to 33.33% prior to 31 December 2020, based on market value at the relevant time. Refer to Note 33 for further information.

	VILLAGE ROADSHOW LIMITED	
	2018 $'000	2017 $'000

28 PARENT ENTITY DISCLOSURES

(a) Summary financial information

	2018 $'000	2017 $'000
Current assets	3,742	12,710
Total assets	478,801	686,937
Current liabilities	17,378	9,255
Total liabilities	22,317	160,294
Issued capital	225,548	225,176
Retained earnings	218,696	289,226
Employee equity benefit reserve	12,240	12,241
Total shareholders' equity	456,484	526,643
(Loss) profit after tax	(70,530)	239,554
Total comprehensive (expense) income	(70,530)	239,554

(b) Financial guarantees

	2018 $'000	2017 $'000
Financial guarantees[1]	238	318

(c) Franking credit balance

	2018 $'000	2017 $'000
Amount of franking (deficit) credits available as at year-end	(6,687)	939
Franking credit movements from payment of VRL's current tax amounts recorded at year-end	6,687	–
Franking credit movements from refund of VRL's current tax amounts recorded at year-end	(2,335)	(10,545)
Amount of franking deficit after adjusting for the above impacts	(2,335)	(9,606)

(d) Contingent liabilities

	2018 $'000	2017 $'000
(i) Bank guarantees for commitments of subsidiaries	1,219	1,266
(ii) Several corporate guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	10,147	13,425
(b) Guarantees for joint operations	996	1,285
(iii) Other corporate guarantee commitments		
(a) Guarantees in respect of subsidiaries' commitments	4,900	4,900
	17,262	20,876

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).

29 SEGMENT REPORTING[1]

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		MARKETING SOLUTIONS		OTHER[2]		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(a) Reporting by operating segments – continuing operations:												
Segment revenue – services	191,638	187,486	206,930	218,593	190,184	218,207	72,726	54,656	–	–	661,478	678,942
Segment revenue – goods	105,262	108,226	86,835	87,768	114,311	141,092	–	–	–	–	306,408	337,086
Total segment revenue	296,900	295,712	293,765	306,361	304,495	359,299	72,726	54,656	–	–	967,886	1,016,028
Plus: Non-segment revenue	–	–	–	–	–	–	–	–	1,534	2,244	1,534	2,244
Less: Inter-segment revenue	–	(20)	–	–	(15,673)	(19,369)	(985)	(763)	–	–	(16,658)	(20,152)
Total Revenue											952,762	998,120
Segment results before tax	(24,446)	(8,786)	36,177	55,287	6,751	13,816	4,082	5,975	–	–	22,564	66,292
Non-segment result (Corporate) before tax	–	–	–	–	–	–	–	–	(31,749)	(33,500)	(31,749)	(33,500)
Operating (loss) profit before tax – segment purposes	(24,446)	(8,786)	36,177	55,287	6,751	13,816	4,082	5,975	(31,749)	(33,500)	(9,185)	32,792
Gain on disposal / dividend received – asset held for sale	–	–	154,006	5,038	–	–	–	–	–	–	154,006	5,038
Gain on disposal of business / reversal of onerous lease provision	–	–	2,916	7,500	–	–	–	–	–	–	2,916	7,500
Impairment and other non-cash adjustments	(133,456)	(71,000)	–	(128)	(32,526)	(17,683)	(1,453)	–	–	–	(167,435)	(88,811)
Restructuring costs	(4,120)	(4,630)	(211)	(474)	(688)	(838)	(465)	(141)	(2,955)	(585)	(8,439)	(6,668)
Equity-accounted losses on net investments	–	–	–	(19,196)	–	–	–	–	–	(6,628)	–	(25,824)
Operating loss before tax											(28,137)	(75,973)
Income tax benefit											24,726	10,351
Non-controlling interest	4,237	(317)	–	–	–	–	(607)	(779)	–	–	3,630	(1,096)
Total attributable profit (loss) after tax from continuing operations per the statement of comprehensive income											219	(66,718)
Interest income	188	72	149	161	573	564	50	1	366	853	1,326	1,651
Finance costs before finance restructuring costs	16,298	14,070	4,659	4,696	4,440	4,399	2,461	2,487	2,777	6,063	30,635	31,715
Finance costs – finance restructuring costs											850	–
Total finance costs											31,485	31,715
Depreciation and amortisation expense	46,644	50,667	17,391	16,807	3,210	3,564	1,789	1,385	1,705	1,007	70,739	73,430
Equity-accounted net profits (losses)											904	(13,497)
Non-cash expenses other than depreciation	355	347	15	435	–	–	254	–	–	12	624	794
Capital expenditure	54,745	53,803	23,202	17,356	1,065	1,718	2,266	1,562	3,618	5,098	84,896	79,537

	AUSTRALIA		UNITED STATES OF AMERICA		EUROPE		OTHER		TOTAL	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(b) Reporting by geographic regions:										
Revenue – continuing operations	878,812	930,530	10,875	10,357	44,212	33,855	18,863	23,378	952,762	998,120
Non-current assets	913,526	1,011,562	55,297	61,269	45,715	43,560	295	3,455	1,014,833	1,119,846

1 Description of Reportable Segments:
Theme Parks: Theme park and water park operations
Cinema Exhibition: Cinema exhibition operations
Film Distribution: Film and DVD distribution operations
Marketing Solutions: Sales promotions and loyalty program operations
2 The 'Other' column represents financial information which is not reported in one of the reportable segments.

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	
	2018 $'000	2017 $'000
Financial assets: Cash and cash equivalents	63,393	100,400
Financial liabilities: Secured and unsecured borrowings	201,890	367,490
Net exposure	138,497	267,090

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 between 35% and 60% of the outstanding debt balance for a minimum of 12 months or until termination of the loan, whichever is sooner.

At reporting date, the Group has entered into interest rate derivatives covering debts totalling $200.0 million (2017: $260.0 million). These interest rate derivatives covered approximately 50% (2017: 41%) of total borrowings of the Group as at reporting date. 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 2018 and 30 June 2017, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
Sensitivity analysis	2018 $'000	2017 $'000	2018 $'000	2017 $'000
CONSOLIDATED				
If interest rates were 100 basis points higher with all other variables held constant	(996)	(3,724)	–	–
If interest rates were 100 basis points lower with all other variables held constant	2,396	3,724	–	–

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The movements in equity are due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivities for each year are impacted by cash, debt and derivative balances, as well as interest rates.

Foreign currency risk

The Group has transactional foreign currency exposures, which arise from sales or purchases by the relevant division in currencies other than the division's functional currency. In general, the Group requires all of its divisions to use forward currency contracts to eliminate the foreign currency exposure on any individual transactions in excess of A$0.5 million, which are generally required to be taken out immediately when a firm commitment has occurred. The forward currency contracts must be in the same currency as the hedged item, and it is the Group's policy not to enter into forward contracts until a firm commitment is in place.

In addition, the Group uses forward currency contracts to eliminate the foreign currency exposure on part of the Group's estimated foreign currency payments, which are regularly updated to ensure a rolling forward cover position.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

Foreign currency risk (continued)

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 2018 and 30 June 2017, 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 2018 and 30 June 2017, if foreign exchange rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
Sensitivity analysis	2018 $'000	2017 $'000	2018 $'000	2017 $'000
CONSOLIDATED				
If foreign exchange rates were 10 per cent higher with all other variables held constant	–	–	(1,611)	(3,000)
If foreign exchange rates were 10 per cent lower with all other variables held constant	–	–	1,968	3,666

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 2018, 1.7% (2017: 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 2018. 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 2018.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
(i) Financial assets								
Cash	63,393	100,400	–	–	–	–	63,393	100,400
Receivables and other advances	119,300	128,300	23,925	18,300	–	–	143,225	146,600
Derivatives	25,308	47,479	–	–	–	–	25,308	47,479
Security deposits	–	–	294	244	–	–	294	244
Total financial assets	208,001	276,179	24,219	18,544	–	–	232,220	294,723
(ii) Financial liabilities								
Trade and other payables	202,777	262,956	42,736	31,347	–	–	245,513	294,303
Secured and unsecured borrowings	22,049	30,090	426,902	696,278	–	–	448,951	726,368
Lease liability	6,293	–	27,117	–	395,866	–	429,276	–
Derivatives	23,525	50,235	670	223	–	–	24,195	50,458
Total financial liabilities	254,644	343,281	497,425	727,848	395,866	–	1,147,935	1,071,129
Net maturity	(46,643)	(67,102)	(473,206)	(709,304)	(395,866)	–	(915,715)	(776,406)

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 $31.0 million as at 30 June 2018 (2017: $30.0 million), and $31.0 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 $103.0 million of finance leases (2017: $37,000).

Interest rate swaps:
At reporting date, the Group had no interest rate swap agreements in place. Such agreements were being used to hedge the cash flow interest rate risk of various debt obligations with a floating interest rate.

Interest rate caps and collars:
At reporting date, the Group had entered into interest rate cap agreements. These derivatives are used to assist in hedging the cash flow interest rate risk of various debt obligations with a floating interest rate.

The interest rate cap has been based on the underlying debt obligations, and closely matched the terms of those obligations.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Recognised Financial Instruments (continued)

(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	
CONSOLIDATED	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial assets:				
Cash	63,393	100,400	63,393	100,400
Trade and other receivables	143,225	146,600	143,225	146,600
Available-for-sale investments	1,737	407	1,737	407
Derivatives	1,216	94	1,216	94
Security deposits	294	244	294	244
Total financial assets	209,865	247,745	209,865	247,745
Financial liabilities:				
Trade and other payables	245,513	294,303	245,513	294,303
Secured and unsecured borrowings	401,890	627,490	393,374	618,213
Lease liability	102,962	–	102,962	–
Derivatives	16	3,053	16	3,053
Total financial liabilities	750,381	924,846	741,865	915,569

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.

Finance lease liability
The net fair value of the finance lease liability is determined based on the weighted average market-based interest rates that are applicable to the lease liability.

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.

	2018				2017		
	Valuation technique– market observable inputs (Level 1) $'000	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:							
Available-for-sale investments	1,364	–	373	1,737	–	407	407
Derivatives	–	1,216	–	1,216	94	–	94
Total	1,364	1,216	373	2,953	94	407	501
Financial liabilities:							
Secured and unsecured borrowings	–	393,374	–	393,374	618,213	–	618,213
Lease liability	–	102,962	–	102,962	–	–	–
Payables and accruals	–	–	10,110	10,110	–	9,218	9,218
Derivatives	–	16	–	16	3,053	–	3,053
Total	–	496,352	10,110	506,462	621,266	9,218	630,484

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 of available-for-sale investments are derived from quoted market prices in active markets. As a result, available-for-sale investments have been classified based on the observable market inputs as Level 1.

The fair values of derivatives are 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 and finance lease liability are determined based on the weighted average market-based interest rates that are applicable to the borrowings and the lease liability. 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. During the year ended 30 June 2018, a loss of $0.9 million (2017: $6.6 million gain) has been recognised in reserves.

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

	2018 $'000	2017 $'000
Current assets:		
Forward currency contracts – cash flow hedges	1,127	63
Interest rate cap – held for trading	26	31
	1,153	94
Non-current assets:		
Forward currency contracts – cash flow hedges	3	–
Interest rate cap – held for trading	60	–
	63	–
Current liabilities:		
Interest rate swap contracts – cash flow hedges	–	283
Forward currency contracts – cash flow hedges	16	2,743
	16	3,026
Non-current liabilities:		
Forward currency contracts – cash flow hedges	–	27
	–	27

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.

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 2018 and 30 June 2017:

	NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE	
	2018 $'000	2017 $'000	2018	2017
Consolidated:				
USD hedges	(1,113)	(989)	0.7647	0.7330
GBP hedges	–	(684)	–	0.5126
NZD hedges	–	(138)	–	1.0956
EUR hedges	–	(896)	–	0.6162

(ii) Interest rate swaps – cash flow hedges

In order to protect against rising interest rates, in the year ended 30 June 2017, the Group had 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:

	2018 $'000	2017 $'000
0-1 years	–	(283)
	–	(283)

The Group's interest rate swaps in the prior year generally required settlement of net interest receivable or payable, and the settlement dates generally coincided with the dates on which interest was payable on the underlying debt. The swaps were measured at fair value and, in respect of derivatives which were classified as effective, all gains and losses attributable to the hedged risk were taken directly to equity and re-classified into profit or loss when the interest expense was 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 before tax for the year:

	2018 $'000	2017 $'000
Management & service fee revenue – associates	396	709
Management & service fee revenue – other associated entities	147	171
Consulting expenses – other associated entity	169	–
Film hire and other film expenses (paid by the VRL group to entities in the Village Roadshow Entertainment Group business – refer Note 11(b))	21,553	18,175
Film hire and other film expenses (paid by the VRL group to FilmNation Entertainment LLC – refer Note 11(c))	3,405	5,344

Receivables and payables

Any amounts receivable from, or payable to, associates have been separately disclosed in Notes 7 and 15.

32 FINANCE LEASE RESULTING FROM SALE AND LONG-TERM LEASEBACK

Following the sale and long-term leaseback of the VRL group's freehold land on the Gold Coast, as advised to the Australian Securities Exchange on 22 December 2017, this transaction has been treated as a sale and finance leaseback in accordance with Accounting Standards. The initial lease term is for 30 years, with 6 further terms of 10 years each (at the VRL group's option), with the maximum lease term of 90 years. The VRL group also has a number of repurchase options at various points throughout the contractual term.

As a result, the land has been de-recognised, a finance lease asset and finance lease liability have been recognised, both initially for $101.5 million (representing the lower of the fair value of the land and the present value of the future minimum lease payments, which are based on an expectation of exercising one of the options to repurchase the land after 25 years), and the calculated gain on sale of $73.7 million has been deferred and treated as unearned revenue. Annual rent payable under the lease is $6.2 million, with fixed annual increases of 3%.

For the year ended 30 June 2018 and subsequent years, the statement of financial performance will show the calculated finance lease interest expense, and the recognition of the unearned revenue, over the minimum lease term (currently assessed as 25 years). Given the lease calculations have assumed the land will be repurchased after 25 years, consistent with the VRL group's previous accounting policy to not depreciate land, the lease asset will not be amortised.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments at 30 June 2018 (2017: nil), based on expectation of exercising the option to repurchase the land after 25 years, are as follows:

	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF LEASE PAYMENTS
	2018 $'000	2018 $'000
Within 1 year	6,293	6,293
After one year but not more than 5 years	27,117	21,498
More than 5 years	395,866	75,171
Total minimum lease payments	429,276	102,962
Less amounts representing finance charges	(326,314)	–
Present value of minimum lease payments	102,962	102,962

As a result of deferring the gain on sale, which will instead be recognised over the 25 year assumed lease term, a deferred tax asset has been recorded of $22.1 million, which will be expensed in line with the recognition of the unearned revenue over 25 years. A deferred tax liability of $2.0 million has also been reversed.

33 BUSINESS COMBINATION

Effective from 13 August 2018, the ownership percentage of the Topgolf Joint Venture ("Topgolf JV") by the VRL group's joint venture partner, Topgolf Australia Pty. Ltd. ("Topgolf Australia") has reduced from 33.33% at 30 June 2018 to 3.7%. As a result, the VRL group's ownership percentage in the Topgolf JV has increased from 66.67% at year end to 96.3%. The amount receivable by the VRL group in relation to the Topgolf JV, which was approximately $10.9 million as at 30 June 2018 (included in non-current trade and other receivables in Note 7), is still recoverable through an increased share of the Topgolf JV.

For accounting purposes, the Topgolf JV has been accounted for as a joint operation, and this situation resulted in the VRL group gaining control of the Topgolf JV as at 13 August 2018, and therefore represented a business combination. At the date of gaining control, the VRL group remeasured its existing interest in the joint operation to fair value, but given the recent completion of the build of the first Topgolf site and the recent commencement of trading, this did not result in a material change in the carrying value of the VRL group's existing interest in the Topgolf JV. The information presented below in relation to the business combination accounting is provisional.

The provisional estimated fair values of the VRL group's 66.67% interest in assets and liabilities of the Topgolf JV immediately prior to the date of gaining control and the provisional estimated fair value of the 96.3% controlled identifiable assets and liabilities of the Topgolf JV as at the date of gaining control were:

	INTEREST AT 66.67% PRIOR TO GAINING CONTROL	INTEREST AT 96.3% ON GAINING CONTROL
	FY2019 $'000	FY2019 $'000
Cash and cash equivalents	666	962
Property, plant & equipment	24,741	35,737
Intangible assets	1,135	1,640
Other assets	794	868
Total Assets	27,336	39,207
Payables & accruals	(4,323)	(6,243)
Other liabilities	(299)	(433)
Total Liabilities	(4,622)	(6,676)
Fair value of identifiable net assets	22,714	32,531
Goodwill arising on acquisition	–	1,050
	22,714	33,581

Cost of combination:	
Amount receivable in relation to Topgolf JV converted to equity	10,867

The provisional goodwill arising from the increase in ownership of the Topgolf JV is $1.1 million. All of the cost base of the goodwill is expected to be included for capital gains tax purposes on a future disposal of the Topgolf JV.

There were no material transactions costs relating to this acquisition.

Topgolf Australia has an option to increase its ownership in the Topgolf JV back to 33.33% prior to 31 December 2020, based on market value at the relevant time. The impact on control or joint control would therefore be re-assessed at that time.

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 2018 and of its performance for the year ended on that date; and

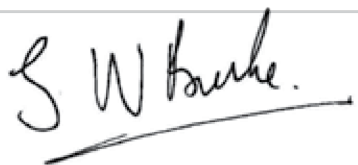
(ii) complying with Accounting Standards and *Corporations Regulations 2001*; and

(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 2018.

On behalf of the Board



G.W. Burke
Director

Melbourne, 20 September 2018

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 2018, 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 2018 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.

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

Why significant	How the matter was addressed in the audit
At 30 June 2018 the Group's assets include goodwill, other intangible assets, film distribution royalties, and property, plant and equipment. The Group performs an impairment assessment on an annual basis or when an indicator of impairment is identified to assess whether the carrying values of these assets exceed their recoverable amounts. Impairment charges were recognised in the Theme Parks and Film Distribution segments. Assessing the quantum of the impairment charges recognised and determining whether or not further impairment charges relating to these assets were required was a key audit matter. 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 2018 and related disclosure in respect of the Group's impairment testing.	► We evaluated the Group's cash flow forecasts supporting the impairment assessments for goodwill, other intangible assets, film distribution royalties and property, plant and equipment, and compared them to the FY19 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 analyses 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 involved our valuation specialists to assess whether the methodology applied was in accordance with Australian Accounting Standards 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 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 assessed the adequacy of the disclosures included in Notes 9, 10 and 14.

2. Revenue recognition

Why significant	How the matter was addressed in the audit
The Group operates through four divisions, Theme Parks, Cinema Exhibition, Film Distribution and Marketing Solutions. Each of these divisions has specific revenue models and contractual arrangements resulting in differing revenue recognition requirements in accordance with Australian Accounting Standards. This was 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.	► We assessed and tested the 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 basis of revenue recognised by the Group. ► We agreed the data underlying the calculation of admission revenue to sales records and other systems having assessed the relevant controls relating to the recording of that revenue. ► We performed an analysis on revenue 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 performed sensitivity analysis around key redemption rate assumptions to ascertain the extent of changes in those assumptions that would result in a material audit difference. ► 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.

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3. Interest bearing liabilities

Why significant	How the matter was addressed in the audit
The Group held interest bearing liabilities of $401.9 million at 30 June 2018. The Group incurred $31.5 million in finance costs during the year (inclusive of finance lease interest), which have been expensed. The Group's banking arrangements include financial covenants that require monitoring. 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.	► 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 2018. ► We recalculated interest expense and compared this with interest recognised in the consolidated statement of comprehensive income. ► We assessed the disclosures included in Note 16 to the financial report.

4. Significant Transactions

Why significant	How the matter was addressed in the audit
The Group undertook certain significant transactions during the year, which had a material impact on the financial report. These transactions included the sale and lease-back of land at the Oxenford theme parks site, the completion of the Dartina divestment, and the recent announcement of the sale of Sydney Wet'n'Wild which has been classified as held for sale at 30 June 2018. The value of these transactions were significant to the financial statements. Determining the appropriate accounting treatment included assessing the nature of the Oxenford lease arrangements, and validating the terms in the other contractual arrangements. Refer to Notes 11(a), 27, 32 for the impact of these transactions.	► We read the sales agreements and other related documents and ensured the accounting treatment applied to each transaction was consistent with the contractual terms and conditions. ► We assessed these transactions against de-recognition, measurement and classification criteria of Australian Accounting Standards. ► We assessed the adequacy of the disclosures in the financial report.

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 2018 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.

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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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2018.

In our opinion, the Remuneration Report of Village Roadshow Limited for the year ended 30 June 2018, 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
20 September 2018

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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 14 September 2018 and the number of ordinary shares held:

Name	Ordinary Shares	% of Total
Village Roadshow Corporation Pty Limited	79,940,322	41.42
Vijay Vijendra Sethu	9,948,235	6.24
Mittleman Brothers, LLC	8,172,680	5.05

Distribution of Security Holders as at 14 September 2018

Category of Holding	Number of Holders	%	Number of Units	%
Ordinary Shares				
1 – 1,000	2,661	42.05	1,390,781	0.72
1,001 – 5,000	2,490	39.34	6,159,425	3.19
5,001 – 10,000	571	9.02	4,230,417	2.19
10,001 – 100,000	524	8.28	12,527,265	6.49
100,001 and over	83	1.31	168,706,245	87.41
	6,329	100.00	193,014,133	100.00
Number of holdings less than marketable parcel (214 shares)	516		51,755	

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 14 September 2018

Name of Holder	Shares	%	Rank
Village Roadshow Corporation Pty Limited	65,960,636	34.17	1
HSBC Custody Nominees (Australia) Limited	31,711,317	16.43	2
J P Morgan Nominees Australia Limited	19,340,829	10.02	3
Citicorp Nominees Pty Limited	8,022,965	4.16	4
GW Burke Investments Pty Ltd <Burke Investment A/C>	3,624,212	1.88	5
C & J Kirby Investments Pty Ltd <C&J Kirby Investment A/C>	3,475,006	1.80	6
Ravenscourt Pty Ltd	3,368,868	1.75	7
RGK Superannuation Pty Ltd <RGK Super Fund A/C>	2,265,133	1.17	8
BNP Paribas Nominees Pty Ltd <IB AU Noms RetailClient DRP>	2,169,484	1.12	9
Glenn Hargraves Investments Pty Ltd	2,001,817	1.04	10
BNP Paribas Noms (NZ) Ltd <DRP>	1,883,075	0.98	11
National Nominees Limited <DB A/C>	1,736,167	0.90	12
National Nominees Limited	1,682,192	0.87	13
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,085,647	0.56	14
BNP Paribas Noms Pty Ltd <DRP>	1,046,302	0.54	15
JRK Retirement Nominees Pty Ltd <John R Kirby Retirement A/C>	909,000	0.47	16
Mr Graham William Burke	894,231	0.46	17
Dato Lim Sen Yap	775,876	0.40	18
Mr Christopher B Chard	754,000	0.39	19
RGK Retirement Nominees Pty Ltd <RG Kirby Retirement Fund A/C>	604,035	0.31	20
TOTAL	153,310,792	79.42	

FIVE YEAR FINANCIAL SUMMARY – VRL GROUP

	2018	2017	2016	2015	2014
Operating Results – Continuing Operations ($'000)					
Total revenue, excluding material items	952,762	998,120	1,039,865	967,625	939,170
EBITDA before material items	90,863	136,286	168,753	165,713	170,861
EBIT before material items	20,124	62,856	97,145	97,500	105,512
Net interest expense, excluding material items	29,309	30,064	27,839	26,317	26,064
Tax (benefit) expense, excluding tax on material items	(2,721)	8,090	17,542	20,962	22,373
Net (loss) profit excluding material items attributable to members	(7,294)	23,606	50,865	50,075	56,456
Total dividends declared[1]	–	–	45,109	44,766	43,066
Statement of Financial Position ($'000)					
Total shareholders' equity	393,811	400,132	480,359	525,643	521,310
Net borrowings	338,497	527,090	534,719	402,156	350,486
Funds employed	732,308	927,222	1,015,078	927,799	871,796
Total assets	1,334,607	1,461,344	1,555,676	1,496,316	1,412,894
Other Major Items ($'000)					
Capital expenditure and investments	86,949	87,020	158,250	97,052	162,128
Depreciation & amortisation expense	70,739	73,430	71,608	68,213	65,349
Ratios					
Return on average total shareholders' equity (%)	(1.3)	5.4	10.4	9.6	10.3
EBIT/average funds employed (%)	2.4	6.5	10.0	10.8	12.3
Net debt/total capital (%)	46	57	53	43	40
Interest cover (times)	0.7	2.1	3.5	3.7	4.0
Per Share Calculations					
EPS pre-material items and discontinued operations (cents per share)[2]	(4.5)	14.6	31.4	31.0	34.9
EPS including material items and discontinued operations (cents per share)[2]	0.1	(41.3)	9.7	27.2	28.3
Dividends – ordinary shares (cents per share)[1]	–	–	28.0	28.0	27.0
Net tangible assets ($ per share)	0.80	0.02	0.47	1.08	1.17
Other					
Accumulation index – Ordinary shares (index base 1,000 as at 1 July 2013)[3]	502	880	1,106	1,280	1,422

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 2013 with all dividends reinvested.

THEME PARKS PERFORMANCE SUMMARY

Key Earnings Metrics ($m)	GOLD COAST THEME PARKS FY18	GOLD COAST THEME PARKS FY17	TOPGOLF FY18	TOPGOLF FY17	WET'N'WILD SYDNEY / LAS VEGAS FY18	WET'N'WILD SYDNEY / LAS VEGAS FY17	ASIA THEME PARKS FY18	ASIA THEME PARKS FY17	THEME PARKS (TOTAL) FY18	THEME PARKS (TOTAL) FY17
EBITDA	41.9	52.0	(2.1)	–	1.4	6.6	(2.9)	(2.7)	38.3	55.9
EBIT	1.8	10.3	(2.2)	–	(5.0)	(2.3)	(3.0)	(2.8)	(8.3)	5.2
PBT	(10.6)	0.2	(2.4)	–	(8.5)	(6.2)	(3.0)	(2.8)	(24.4)	(8.8)

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 FY18	AUSTRALIA FY17	SINGAPORE FY18	SINGAPORE FY17	OTHER FY18	OTHER FY17	EXHIBITION (TOTAL) FY18	EXHIBITION (TOTAL) FY17
EBITDA	58.0	68.1	–	8.4	0.1	0.1	58.1	76.6
EBIT	41.2	51.8	–	8.4	(0.5)	(0.3)	40.7	59.8
PBT	37.7	48.2	–	8.4	(1.5)	(1.3)	36.2	55.3

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

Film Distribution

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

Cinema Exhibition

Village Entertainment
Level 1, 500 Chapel 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
184 Shepherds Bush Road
London W6 7NL
United Kingdom
Ph: +44 1932 450 461

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

www.villageroadshow.com.au