

ANNUAL REPORT 2016



VILLAGE ROADSHOW LIMITED

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Village Roadshow - Because people will always want to go out!

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

THEME PARKS

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

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 760 screens at 80 sites operating predominantly in Australia and Singapore. VRL continues to drive and embrace innovation, with 3D blockbuster movies and premium cinemas including **Gold Class**, **max** and **premium**. VRL is continuing to invest in new cinema development, as well as upgrades and refurbishments to existing cinemas, delivering the high standard guest experience that customers have grown to expect.

FILM DISTRIBUTION

Originally started by Village Roadshow in the late 1960's, VRL's Film Distribution division is Australasia's largest independent distributor of theatrical films to cinemas. It also has a substantial business in distributing film and television programs to broadcasters, Subscription Video on Demand and Pay TV platforms, DVD and Digital retailers in Australia and New Zealand. The division has long standing distribution agreements with key film suppliers including Warner Bros., ABC, BBC, Lionsgate, Relativity, The Weinstein Company and Village Roadshow Pictures. VRL also holds a 31% interest in FilmNation Entertainment LLC.

MARKETING SOLUTIONS

VRL's Marketing Solutions division is a network of data-driven sales promotion and loyalty businesses with operations in Australia (under the Edge Loyalty banner) and Europe/USA (under the Opia banner). Edge Loyalty was acquired by Village Roadshow in 2012, and with the acquisition of Opia in 2015, the division is positioned to expand both locally and globally.

FILM PRODUCTION

Through its partnerships with Warner Bros. and Sony, Village Roadshow Pictures is one of the leading independent film companies in the world. Since its inception in 1997, Village Roadshow Pictures has released over 90 movies generating in excess of USD15 billion in box office receipts, 17 Academy Awards, and 29 #1 box office openings. Village Roadshow Pictures Asia was established in 2011 and undertakes the development, financing, production, marketing and distribution of films with a particular focus on the Chinese film industry.



ROBERT G. KIRBY

GRAHAM W. BURKE

CO-EXECUTIVE CHAIRMEN
AND CO-CHIEF EXECUTIVE OFFICERS

To Our Shareholders

REFLECTING ON 2016

The Board of Directors of Village Roadshow Limited ("VRL") are pleased to report an increase in trading results for the financial year ended 30 June 2016, despite a decline in attributable profit compared to the prior year.

These results reflect a fifth consecutive year of record results in the Cinema Exhibition business, solid results from the Gold Coast Theme Parks and the inclusion of approximately six months of Opia in the Marketing Solutions division. These results offset disappointment at Wet'n'Wild Sydney and the Film Distribution division.

The Company delivered attributable net profit of \$15.7 million for the 12 months to 30 June 2016 including losses from material items after tax of \$35.2 million, compared to attributable net profit of \$43.9 million for the prior year.

Earnings before interest, tax, depreciation and amortisation excluding material items and discontinued operations ("EBITDA") for this financial year was \$168.8 million, up 1.8% from \$165.7 million in the prior year. This year's attributable net profit before material items and discontinued operations ("NPAT") was \$50.9 million, marginally up on the previous year's result of \$50.1 million.

Diluted earnings per share before material items and discontinued operations of 31.4 cents per share was up 1.3% compared to the previous year's 31.0 cents per share.

A final dividend for the 2015 financial year of 14 cents per share was paid in October 2015, and an interim dividend for the 2016 financial year of 14 cents per share was paid in April 2016, both of which were fully-franked. The Board was pleased to be able to continue a consistent dividend payment policy, declaring a fully-franked final dividend for the 2016 financial year of 14 cents per share, paid in October 2016.

Summary details of the Company's financial performance for the past two years are shown in the table below, and for the past five years are shown in the Additional Information section on page 75 of this Annual Report.



FINANCIAL SUMMARY (\$M unless stated otherwise)

	2016	2015	% Change
Total revenue	1,039.9	967.6	Up 7.5%
Attributable net profit after tax	15.7	43.9	Down 64.3%
Attributable net profit excluding material items and discontinued operations	50.9	50.1	Up 1.6%
EBITDA before material items and discontinued operations	168.8	165.7	Up 1.8%
Total dividends declared (excludes any distributions and special dividends)	45.1	44.8	Up 0.8%
Total shareholders' equity	480.4	525.6	Down 8.6%
Return on average total shareholders' equity (%)	10.4	9.6	Up 0.8%
EPS pre-material items and discontinued operations (cents per share)	31.4	31.0	Up 1.3%
Dividends - ordinary shares (cents per share)	28.0	28.0	No change

Refer to Five Year Financial Summary on page 75 for further details in relation to the above disclosures.

THEME PARKS

Village Roadshow Theme Parks ("VRTP") is Australia's leading theme park developer and owner. VRTP includes the well established major parks at Warner Bros. Movie World, Sea World and Wet'n'Wild Gold Coast, as well as Australian Outback Spectacular, Paradise Country, Village Roadshow Studios, Sea World Resort, and Sea World Helicopters, all in Queensland, and Wet'n'Wild Sydney in New South Wales. VRTP operates and owns 50.09% of Wet'n'Wild Las Vegas. VRTP also has a development program with an emphasis on Asia, and China in particular.

The 2016 financial year saw the launch of a membership program for the Gold Coast theme parks. The membership program offers consumers the benefit of smaller monthly payments paid by direct debit, making this a simple, affordable option for local guests. VRTP delivered a 2016 financial year EBITDA of \$88.0 million, in line with the prior year, but carrying substantially more deferred revenue into the following financial year as a result of the accounting treatment for the membership program and VIP Passes compared to daily passes.

Operating profit before tax excluding material items ("PBT") of \$23.4 million exceeded the prior year (\$22.6 million). The Gold Coast parks had a solid year, but Wet'n'Wild Sydney suffered from a wet summer and Wet'n'Wild Las Vegas was impacted by the first full season of competition with the second water park in Las Vegas.

At Warner Bros. Movie World, the special events - *Fright Nights*, *White Christmas* and *Carnivale* - have been very successful, with *White Christmas* selling out the eight nights it ran. Paradise Country enjoyed record attendance and profit during the 2016 financial year.

The Warner Bros. Movie World special events program will continue in the 2017 financial year, with big results expected from the Easter Carnivale event as initial runs have built strong word of mouth. A number of new attractions have recently opened at Warner Bros. Movie World, to thrill and delight guests in the 2017 financial year. These include the DC Comics *Super Villains Unleashed* area, the terrifying *Doomsday Destroyer* and a groundbreaking virtual reality upgrade to the *Arkham Asylum* ride.

Adjacent to Warner Bros. Movie World, Sound Stage 9, the largest sound stage in the Southern Hemisphere, opened in March 2016 at Village Roadshow Studios. The Studios also enjoyed record results, operating at full capacity throughout the year and hosted production of *Kong: Skull Island*, *Pirates of the Caribbean: Dead Men Tell No Tales* and *Thor: Ragnarok*.

Sea World's *Creatures of the Deep* and *Nickelodeon Land* attractions opened during the 2016 financial year and were well received by guests. Sea World Helicopters also enjoyed a record profit. The recently opened Sea World Plaza retail and food area will enhance the guest experience and provide additional space for private events.

Sea World Resort remained the highest occupancy premium hotel on the Gold Coast, with over 90% occupancy, and delivered a record result. The Conference Centre adjacent to the Resort opened in July 2015 and has been a tremendous success, exceeding expectations.

Paradise Country's offering of "a family day on the farm" and a new show to be introduced at Australian Outback Spectacular are expected to bear fruit in the 2017 financial year.

VRL's Gold Coast theme parks enjoyed increasing visits by Chinese guests, with new flights into the region being rapidly added. This is generally considered the beginning of a substantial growth curve, from which VRTP is expected to benefit.

Despite a strong start to season pass sales at Wet'n'Wild Sydney, the weather deteriorated at the beginning of the September school holidays and remained unseasonably cool and wet throughout the summer season and into autumn. As a result, there was a decline in ticket sales compared to the previous year. Contingency plans were introduced to help stabilise the business late in the season. A number of initiatives are being implemented at the park in the 2017 financial year including a *Dinosaur Lagoon* attraction, a new premium lounge, and a summer concert series as well as additional shade and queue structures. These initiatives are expected to drive attendance and improve the guest experience.

Wet'n'Wild Las Vegas delivered EBITDA of \$3.6 million for the 2016 financial year, up 5.3% on the prior year, and PBT of \$0.6 million, up 100%. This result was despite the impact of competition with the second water park in Las Vegas.

In addition to the investments in new attractions, rides and other enhancements to the guest experience, new ticketing strategies are being implemented across all VRTP parks. These will provide a simpler, more flexible offering to best cater to guest needs, while improving ticket yield to maximise revenue.

In the 2016 financial year, VRTP progressed a number of international opportunities which utilise VRTP's well recognised skills in theme park operation without the need to fund the construction. This includes signing an agreement with Mission Hills to operate Wet'n'Wild Haikou on Hainan Island, expected to open in calendar year 2017. In the 2017 financial year, an agreement has already been signed with Lai Sun to consult on the construction and then operation of Lionsgate's first immersive experience centre, themed around some of Lionsgate's most captivating film franchises including *The Hunger Games*, *The Divergent Series* and *Now You See Me*. The centre will be located at Novotown on Hengqin Island, with opening targeted for calendar 2018. There is also considerable development and investigation into other opportunities in Asia.





CINEMA EXHIBITION

VRL's Cinema Exhibition division operates predominantly in Australia and Singapore through partnerships/joint ventures, including with Event Hospitality & Entertainment in Australia. VRL has interests in a total of 760 screens at 80 sites and provides customers with premium experiences such as **Gold Class**, **max** and **premium**.

The Cinema Exhibition division delivered a fifth consecutive full year record EBITDA of \$82.0 million (up 14.6% on last year) and PBT of \$62.5 million (up 17.2%) with record results for both the Australia and Singapore circuits.

A strong product line-up supported the outstanding performance of the division, with stand out titles including *Star Wars: The Force Awakens*, *Deadpool*, *Spectre*, *Hunger Games: Mockingjay Part 2*, *Batman v Superman: Dawn of Justice* and *Finding Dory*. Australian titles *Oddball* and *The Dressmaker* were both popular, delivering excellent results, as well as Chinese and Bollywood content.

In Australia, the record result was driven by increased average ticket price and spend per person as the program of **max** and **Gold Class** expansion continued, combined with improved hot food offerings. Record functions, events, advertising and sponsorship also drove the excellent result. The Australian circuit's Christmas Gifting offering enjoyed great success with a record result of over \$40.0 million.

The continued program of refurbishment of existing cinemas and facilities ensures the business continues to deliver state of the art technologies and the ultimate guest experience. Refurbishments in the 2016 financial year included the Jam Factory (including two **premium** auditoria), Sunshine, Bendigo and Century City Walk in Victoria and Albury and Hurstville in New South Wales. New sites also opened at Glenelg in South Australia and North Lakes and Springfield in Queensland. The 2017 financial year will see the further introduction of premium offerings with the Hobart (Tasmania) and Southland (Victoria) refurbishments and new sites in key population growth areas such as Palmerston (Northern Territory) and Plenty Valley (Victoria). Recently introduced, Roc's - the premium bar concept - has added to the total 'going out' experience at the Jam Factory cinema complex.

VRL owns 50% of the Golden Village Cinema Circuit, the number one circuit in Singapore with 43.7% market share. The business enjoyed a record EBITDA of \$11.7 million (share of associate's profits), despite Tiong Bahru remaining closed for renovation until May 2016. The popular circuit continues to expand with an eight screen site at the SingPost Centre at Paya Lebar due to open in 2017.

iPic Theaters (30% VRL owned) has built a reputation as the leader in upmarket USA cinema and dining with 13 sites in operation at 30 June 2016, including Houston and Miami which opened during the year. The business continues its program of development, targeting a critical mass of sites.

With another strong film product line-up, the expectation is that the Cinema Exhibition division should deliver a similarly strong result for the 2017 financial year. Key upcoming titles include *Rogue One*, *Fantastic Beasts and Where to Find Them*, *King Arthur: Legend of the Sword*, *Passengers*, *Red Dog True Blue*, *The Magnificent Seven* and the animated hit *The Secret Life of Pets*.

FILM DISTRIBUTION

VRL's Film Distribution division comprises Roadshow Films, Roadshow Entertainment, Roadshow Digital and Roadshow Television. Through its relationships with key suppliers and its diverse distribution network, the division supplies film and television titles to various markets. From a film's theatrical release in cinemas to home entertainment through the distribution of film and television titles to Subscription Video on Demand ("SVOD") and Free to Air and Pay TV platforms, DVD and Digital, the division covers the product's entire lifecycle.

The markets in which Roadshow operates are healthy. The Australian Theatrical Box Office increased 10% year on year. In Home Entertainment, Physical (DVD and Blu Ray) declined 4.3% over the 2016 financial year, however this decline has been slowing, down from 5.5% in the 12 months to 31 December 2015. The Digital Home Entertainment market grew 6.7%. In Television, the SVOD market is growing as services such as Netflix, Stan and Presto gain traction.

However, Roadshow's EBITDA of \$24.5 million and PBT of \$17.4 million were down on the prior year. This reflected the absence of top performing titles in the portfolio. Despite stand-out titles such as *Mad Max: Fury Road* (Home Entertainment), *Oddball* (Theatrical and Home Entertainment) and *Game of Thrones* Series 5 (Home Entertainment), the division suffered from a softer overall product slate and lower margin titles, losing market share (down 8.1% to 17.3% in Theatrical and 2.6% to 28.6% in Physical).

The 2016 financial year represented the first full 12 months of distributing Warner Bros. Home Entertainment product, providing market share and profile albeit with lower margins on revenues. The flow through effect of underperforming Theatrical titles and the closure of ABC stores also impacted Roadshow Home Entertainment. SVOD platforms continue their success in Australia, and Roadshow Television recently secured second year packages with Netflix and Stan. Roadshow also enjoys output supply arrangements with Foxtel, Channel Nine, TVNZ and a renewed multi-year agreement with Sky TV.

As part of an optimisation strategy, Roadshow closed the New Zealand office during the 2016 financial year, with distribution of all product for the New Zealand market now managed out of Australia. The division also undertook an internal restructure, expected to deliver overhead savings in the coming year.

The 2017 financial year has started well with DC Comic's *Suicide Squad*, *Bad Moms* and *Sully*. Other key upcoming film titles include *Fantastic Beasts and Where to Find Them*, *Red Dog True Blue*, *Power Rangers*, *King Arthur: Legend of the Sword* and *The Lego Batman Movie*.



MARKETING SOLUTIONS

The Marketing Solutions division comprises Australia-based Edge Loyalty and UK-based Opia, a network of data-driven sales promotion and loyalty businesses. The division works with leading global brands to help them sell more product, acquire more customers and retain business.

In December 2015, VRL announced it had acquired 80% of Opia, a UK-based sales promotion consultancy for \$50 million. The acquisition positions the Marketing Solutions division as a truly global player in the sales promotion and loyalty market, further diversifying VRL's business and providing opportunity for growth.

The 2016 financial year saw Marketing Solutions continue to expand its portfolio of complementary products and services to meet existing clients' promotional needs, winning more business from existing accounts whilst also opening up new opportunities. Marketing Solutions delivered an EBITDA of \$8.0 million for the 12 months to 30 June 2016, an increase of 172.0% on FY15 and PBT of \$5.6 million, up from \$2.2 million in FY15. This result reflects the inclusion of Opia following its acquisition in December 2015. Key clients serviced throughout the year included Harvey Norman, Simply Energy, Lion Nathan, HP and Lenovo.

Marketing Solutions' global expansion is now underway, with the UK operations providing a platform for growth across Europe, as well as recently securing new opportunities in North America. The 2017 financial year will see Marketing Solutions work increasingly strategically with key accounts, selling a range of solutions. Importantly, Marketing Solutions will continue to play a key role in driving market adoption of digital promotional solutions, from digital platforms through to digital rewards and reporting. Marketing Solutions will continue to invest heavily in the digital and IT platforms that underpin the division's growth.

FILM PRODUCTION

Village Roadshow Entertainment Group Limited ("VREG") is an equity-accounted associate of VRL and consists of Village Roadshow Pictures ("VRP") and Village Roadshow Pictures Asia ("VRPA").

VREG released its first Hollywood film in 1998 and has gone on to establish itself as one of the world's leading independent film co-producers/co-financiers with 90 films released through to 30 June 2016 including five films released during the 2016 financial year through its partnerships with Warner Bros. and Sony. During the year VRP also completed a renewal of its film financing facilities for USD775 million until 2021. This year has started well, with *Sully*, directed by Clint Eastwood, starring Tom Hanks and Laura Linney impressing audiences.

VRPA is one of the most deeply embedded and prolific foreign players in China's booming local film production market. VRPA received industry recognition in the 2016 financial year for its co-produced titles *Go Away Mr Tumor* and *Mountain Cry* while *Cold War 2* broke two Chinese box office records.

The worldwide industry for film and television has never been stronger. The two fundamental growth drivers are China and the growing quality of long form television content available on traditional multi-channel networks as well as over the top streaming services such as Netflix and

Amazon. VREG has assembled a strong portfolio of major motion pictures with global potential and an emphasis on global brands and franchises, including films in production and development.

CORPORATE AND OTHER

Total net Corporate & Other costs for the 12 months ended 30 June 2016 were \$39.6 million, compared to \$35.6 million for the prior year and EBITDA was a \$33.7 million loss, compared to a \$30.8 million loss in the prior year. The main increase in this segment relates to an investment in investigating and utilising digital technology to drive revenue growth in the core businesses.

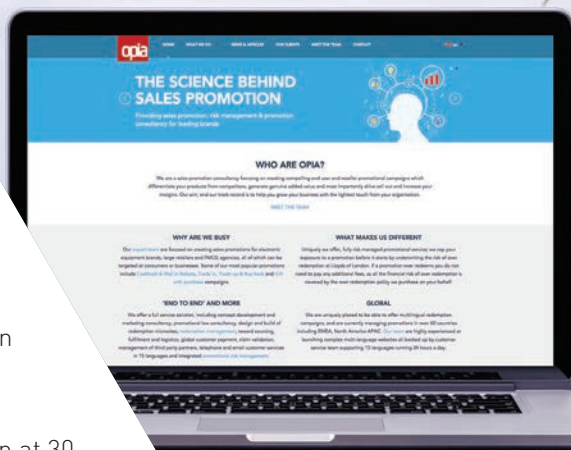
In December 2015, the main Divisional and Corporate finance facilities were refinanced into a consolidated VRL group facility, which also resulted in an increased facility limit of \$800 million and extended expiry dates of December 2019 and 2020. The staged restructuring of finance facilities since December 2014 has resulted in significant cost reductions and increased flexibility for the VRL group.

During the 2016 financial year, debt draw downs of the group facility totalled approximately \$100 million (total debt drawn was \$590 million at 30 June 2016). Draw downs related to a number of key investments including the acquisition of Opia; contribution to VREG's new corporate debt facility; further instalments for the investment in FilmNation Entertainment; new cinema sites and refurbishments; and the *DC Villains* attraction and *Doomsday Destroyer* ride at Warner Bros. Movie World.

Material items of \$35.2 million after tax included the previously announced VREG subordinated loan (USD15 million), iPic contributions (USD1.8 million), restructuring costs of \$7.6 million and impairment of assets and other non-cash adjustments totalling \$5.1 million. Since 30 June 2016, further material items include the investment of a further USD5 million in VREG to ensure the continuity of development, and contributions totalling approximately USD14.3 million in iPic Theaters to continue the planned program of development.

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 the 2017 financial year to ensure even clearer alignment of executive interest with those of shareholders.

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.



ROC'S

JAM FACTORY

THE BUILDING BLOCKS FOR GROWTH

VRL has a program for growth in place in each of its businesses that is real and underway.

Australian Theme Parks - VRTP is now in the final stages of design and planning to bring Topgolf, a global leader in sports entertainment, to Australia. With over 20 sites opened in the USA so far, Topgolf has received outstanding paybacks. Work is also underway to utilise some of the vacant land at the Gold Coast and diversify VRTP's offering.

International Theme Parks - In Asia, consulting and management agreements are already in place with Mission Hills and Lai Sun for projects in 2017 and 2018. The business continues to pursue other attractive opportunities in Asia including, but not limited to, the Village Cube mini indoor theme park concept, with discussions advancing to roll out in China.

Cinema Exhibition - A number of major new cinema complexes are planned in key population growth corridors over the next few years which will include **max** and **Gold Class** auditoria. The Singapore Circuit continues to expand with an additional site opening in 2017, and iPic Theatres continues to develop its portfolio with the Fort Lee site recently opened in New Jersey and others under development, including two in New York.

Film Distribution - VRL considers content ownership the key to success within its Film Distribution business. 31% owned FilmNation has two upcoming de-risked titles (*The Founder* and *Arrival*), with a diverse development slate including a number of other titles in various stages of pre-production. Additionally, formed in conjunction with John and Dan Edwards, Roadshow Rough Diamond will create original long-form television and feature film content for domestic and international audiences. With a long history in the Australian film industry, Roadshow is also currently developing a number of exciting feature films that will be announced imminently.

Marketing Solutions - The division's global expansion is now underway. The 2017 financial year will also see the division work increasingly strategically with key accounts, selling a range of solutions. The division will continue to play a key role in driving market adoption of digital promotional solutions.

Film Production - VREG represents an opportunity for significant growth and has been shifting its emphasis to global brands and franchises. Amongst VREG's upcoming releases, a number have significant franchise and sequel potential including *King Arthur: Legend of the Sword*, *Oceans Eight* and *Ready Player One*. VREG is also engaged in discussions with studio partners to co-produce and co-finance TV series with global appeal, utilising both original content and IP based on the division's film library. VREG believe this initiative will be both of strategic value and accretive to the film production business and will enable further growth of VREG's Hollywood content business.

As detailed above, VRL has significant opportunities for future earnings growth. Additional investments in growth opportunities will continue to result in a temporary increase in VRL's leverage until earnings from developments are realised.

IN CONCLUSION

VRL has unique assets that are not affected by the challenges facing many sectors. Simply stated, people will always want to go out. With strong cashflows, a commitment to paying dividends and the determination to continue as a high yield stock, coupled with very real growth initiatives, we could not be more confident about our future.

On behalf of the Board we wish to thank the Company's dedicated, talented and loyal staff and management for their outstanding contributions during the year. We must also note with gratitude the valuable contribution made to the Company by Dr. Peter Jonson and Mr. Peter Harvie, who both retired from the Board during the year. The Board also welcomes Ms. Jennifer Fox Gambrell as an Independent Director of the Company.

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

IMAGES: Top to bottom - Roc's Jam Factory, *Fantastic Beasts and Where to Find Them*, Edge Loyalty Spa & Wellness Gift Card, Topgolf.

FINANCIAL REPORT 2016

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 2016.

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
Peter D. Jonson (retired 19 November 2015)
Jennifer Fox Gambrell (appointed 19 November 2015)
Peter M. Harvie (retired 3 February 2016)
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

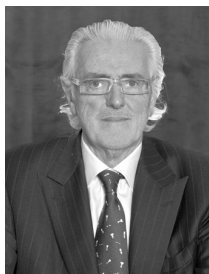
Co-Executive Chairman and Co-Chief Executive Officer, Executive Director

First joined the Board on 12 August 1988, reappointed 5 July 2001. Holds a Bachelor of Commerce with over 30 years experience in the entertainment and media industry. Chairman of Village Roadshow Limited 1994 to 1998, 2002 to 2006 and from June 2010 to 29 November 2013 when he became Co-Executive Chairman and Co-Chief Executive Officer. Deputy Chairman

Village Roadshow Limited 1990 to 1994, 1998 to 2002 and 2006 to June 2010. Through the launch of Roadshow Home Video, Mr. Kirby was the driving force behind the Australian video revolution of the 1980's and 1990's. He is a pioneer of new cinema concepts in both Australia and internationally and has been at the forefront of Village Roadshow's successful diversification into theme parks, radio and international film production. Director of Village Roadshow Corporation Pty. Ltd., Deputy Chair of Peter MacCallum Cancer Foundation, Member of Patrons Council of Epilepsy Foundation and Patron of Arts Centre Melbourne.

Member Executive Committee

Other Listed Public Company Directorships in previous 3 years: Nil



Graham W. Burke

Co-Executive Chairman and Co-Chief Executive Officer, Executive Director

Member of the Board since 9 September 1988. Chief Executive Officer of Village Roadshow Limited from 1988 to 29 November 2013 and Co-Executive Chairman and Co-Chief Executive Officer from 29 November 2013. With unrivalled experience in the entertainment and film industries, Mr. Burke has been one of the strategic and creative forces behind Village

Roadshow's development and founded Roadshow Distributors with the late Mr. Roc Kirby. Mr. Burke has been integral to strategically developing Warner Bros. Movie World and Village Roadshow's involvement with Sea World as well as ongoing Australian and international film production. Chairman of Creative Content Australia (formerly IP Australia Foundation) from March 2016. Director Village Roadshow Corporation Pty. Ltd.

Chairman Executive Committee

Other Listed Public Company Directorships in previous 3 years: Nil



John R. Kirby AM, DUniv

Deputy Chairman, Non-Executive Director

Bachelor of Economics, University of Tasmania. Awarded Honorary Doctorate, Griffith University. Member of the Australian Society of Accountants. Chairman of Village Roadshow Corporation Pty. Ltd. Mr. Kirby has held a wide number of executive positions in cinema exhibition, film distribution, radio, theme parks, construction and strategy over his 45 years within Village Roadshow, and has been at the forefront of many

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

Other Listed Public Company Directorships in previous 3 years: Nil



David J. Evans

Independent Non-Executive Director

Member of the Board since 2 January 2007, appointed Lead Independent Director on 1 July 2014. Over 40 years international business experience in media and entertainment industries including CEO of GTV Channel Nine in Melbourne, President, COO at Fox Television and Executive Vice President News Corporation, both in the United States, including Sky Entertainment Services Latin America.

Most recently President and CEO of Crown Media Holdings Inc, previously Hallmark Entertainment Networks, since 1999 and served on the board of British Sky Broadcasting Group Plc from September 2001 until November 2011. Director of Village Roadshow Entertainment Group Limited.

Member Remuneration Committee
Chairman Corporate Governance & Nomination Committee (from November 2015)

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. Holds a Bachelor of Economics degree (major in accounting) from Monash University and qualified as a Chartered Accountant. Over 20 years experience in investment banking focussing on large scale mergers and acquisitions and capital raisings in the Australian media and entertainment, retail and consumer sectors. Managing Director of UBS Investment Banking from 2004 to 2008.

Member Audit & Risk Committee

Chairman Remuneration Committee (from November 2015)

Member Corporate Governance & Nomination Committee

Other Listed Public Company Directorships in previous 3 years:

Premier Investments Limited, since 1 December 2009

Breville Limited, since 19 December 2013



Jennifer Fox Gambrell

Independent Non-Executive Director

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

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

Member Remuneration Committee

Member Audit & Risk Committee

Other Listed Public Company Directorships in previous 3 years: Nil



Julie E. Raffae

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. Raffae 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. Raffae

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	68,713,136	–
Graham W. Burke	68,713,136	3,000,000
John R. Kirby	68,713,136	–
David J. Evans	111,971	–
Jennifer Fox Gambrell	–	–
Robert Le Tet	158,740	–
Timothy M. Antonie	22,485	–
Julie E. Raffae (alternate)	702,360	–

Messrs R.G. Kirby, G.W. Burke and J.R. Kirby each have a relevant interest in 100% of the issued capital of:

- Village Roadshow Corporation Pty. Limited, the immediate parent entity of the Company; and
- Positive Investments Pty. Limited, the ultimate parent entity of the Company.

OPERATING AND FINANCIAL REVIEW

Principal Activities

The principal activities of the Company and its controlled entities ("the Group", "VRL group" or "consolidated entity") during the financial year were:

- Theme park and water park operations ("Theme Parks");
- Cinema exhibition operations ("Cinema Exhibition");
- Film and DVD distribution operations ("Film Distribution"); and
- Sales promotion and loyalty program operations ("Marketing Solutions").

In addition the VRL group has an equity-accounted 50.17% interest in Village Roadshow Entertainment Group Limited ("VREG") which has film production activities ("Film Production") – refer to Note 11 to the Financial Statements for further details. Other activities, including corporate overheads, financing activities, and digital and information technology development, are included under "Other".

Overview of Results and Dividends/Distributions

The VRL group reported an attributable net profit of \$15.7 million for the year ended 30 June 2016, down from the prior corresponding period result of \$43.9 million, which included attributable losses after tax from material items of \$35.2 million in the year ended 30 June 2016 and \$6.2 million in the prior year.

Attributable net profit, before material items and discontinued operations ("NPAT") for the year ended 30 June 2016 was \$50.9 million, marginally up on the prior year result of \$50.1 million. Earnings before interest, tax, depreciation and amortisation, excluding material items and discontinued operations ("EBITDA") for the year ended 30 June 2016 was \$168.8 million, up 1.8% on the prior year result of \$165.7 million.

Basic earnings per share from continuing operations were 9.8 cents per share (2015: 27.5 cents per share). There were 1,601,464 potential ordinary shares that were dilutive in the year ended 30 June 2016 (2015: 2,082,767). Diluted earnings per share before material items and discontinued operations of 31.4 cents per share increased slightly compared to the prior year result of 31.0 cents per share, based on a weighted average total of 162,159,487 ordinary shares (2015: 161,600,932 ordinary shares).

In the year ended 30 June 2016, a fully-franked final dividend of 14.0 cents per ordinary share was paid in October 2015, and a fully-franked interim dividend of 14.0 cents per ordinary share was paid in April 2016. Subsequent to 30 June 2016, the VRL Board has declared a fully-franked final dividend of 14.0 cents per ordinary share, which will be paid in October 2016. In the year ended 30 June 2015, a fully-franked final dividend of 14.0 cents per ordinary share was paid in October 2014, and a fully-franked interim dividend of 14.0 cents per ordinary share was paid in April 2015.

Net cash flows from operations totalled \$82.3 million in the year ended 30 June 2016, compared to \$111.3 million in the prior year. Cash flows used in investing and financing activities totalled \$111.5 million in the year ended 30 June 2016, compared to \$147.3 million used in the prior year. The current year included \$98.9 million relating to purchases of property, plant, equipment and intangibles, compared to a total of \$81.0 million in the prior year. Net proceeds from borrowings in the year ended 30 June 2016 were \$95.6 million, compared to \$13.0 million in the prior year.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)

Overview of Results and Dividends/Distributions (continued)

An analysis of the Company's operations, financial position, business objectives and future prospects is set out below. Further financial summary information is set out in the Reconciliation of Results on pages 18 and 19, which form part of this Directors' Report, and in Note 29 to the Financial Statements.

Operational Results

Theme Parks

Village Roadshow Theme Parks ("VRTP") recorded EBITDA and profit before tax, excluding material items and discontinued operations ("PBT") for the 12 months to 30 June 2016 that were marginally up on FY2015 at \$88.0 million and \$23.4 million respectively. VRTP will carry substantially more deferred revenue into FY2017 than in previous years due primarily to the introduction of the Gold Coast parks membership program and a very successful VIP Pass pre-sale campaign in FY2016. A number of projects came to fruition in FY2016, including two management agreements in Asia and signing a letter of intent to bring Topgolf to Australia – construction of the first Topgolf site is planned to start in CY2017, to open in FY2018.

The Gold Coast parks delivered an FY2016 EBITDA of \$80.1 million (FY2015 \$79.1 million). During FY2016, VRTP launched a membership program for the Gold Coast parks, which offers consumers the benefit of smaller monthly payments while providing VRTP the benefit of automatic renewals and higher yields. For the first 12 months, membership revenue is recognised proportionately based on the number of months falling within the financial year, resulting in an increase in deferred revenues for those memberships that crossed the financial year end. From the 13th month of memberships, revenue is recognised as it is received on a monthly basis. Revenue from VIP Passes is recognised in the financial year as they carry an end of financial year expiry. Pre-sold VIP Passes are recognised across financial years (the majority in the expiry year).

VRTP's Gold Coast theme parks enjoyed increasing visits by Chinese guests (now accounting for 8% of attendance) – with new flights into the Gold Coast and Brisbane being rapidly added, this is generally considered the beginning of a substantial visitation growth curve. In-park revenue at the Gold Coast parks grew as a result of increased attendance and in-park spending. At Warner Bros. Movie World, the special events program (*Fright Nights*, *White Christmas* and *Carnivale*) produced a record financial performance, with *White Christmas* sold out for the eight nights it ran. Sea World's *Creatures of the Deep* (opened July 2015) and newly renovated *Nickelodeon Land* (opened December 2015) were both well received by guests.

Despite the highly competitive Gold Coast accommodation market, Sea World Resort performed at record levels maintaining high occupancy throughout FY2016, with year round occupancy exceeding 90%. The adjacent Conference Centre added a new dimension to the Resort's offering, exceeding expectations. Paradise Country enjoyed record attendance and financial performance with significant growth in both domestic and international guests following its repositioning toward a family day out. Village Roadshow Studios operated at full capacity in FY2016, and enjoyed a record financial performance. Additionally, Sound Stage 9, the largest sound stage in the Southern Hemisphere, opened in March 2016.

At Wet'n'Wild Sydney, as reported previously, despite a strong start to season pass sales, the weather deteriorated at the beginning of the September school holidays and remained unseasonably cool and wet throughout the summer season and into the second half of FY2016. As a result, there was a decline in ticket sales during the 2015 school holiday periods when compared to the previous year. A number of contingency campaigns were launched to help boost sales, stabilising the business in 2H16. Wet'n'Wild Sydney delivered FY2016 EBITDA of \$9.0 million. Wet'n'Wild Las Vegas (50.09% owned by VRL) delivered EBITDA of \$3.6 million for the 12 months to 30 June 2016, up 5.3% on FY2015. The CY2015 season was the first full season of competition with the second water park in Las Vegas. In April 2016, the park re-opened and is outperforming the prior year.

FY2017 is off to a strong start at the Gold Coast parks, with increased attendance and a positive response to the ongoing membership program. Similarly, Sea World Resort, Sea World Helicopters, Paradise Country and Village Roadshow Studios are continuing the positive trend seen in FY2016. At the Gold Coast parks, a number of FY2017 initiatives are being planned, including new shows and guest experiences at Australian Outback Spectacular and Warner Bros. Movie World, the new Sea World Plaza retail and food area, and the new Farmstay campground program at Paradise Country will launch. Work is also underway on the Gold Coast to utilise some of the vacant land and diversify VRTP's offering.

Due to reopen in September for the 2016/2017 season, a number of strategic and operational initiatives are underway for Wet'n'Wild Sydney, including the introduction of a membership program, an "open all summer" policy extending the operating hours of the park, a new *Dinosaur Lagoon* attraction to drive visitation, and opening a Village Bean Cafe to expand food and beverage offerings. In addition, there will be a special event program at Halloween, a Summer Concert Series in conjunction with Sony Music, premium lounge with views of the park and high quality food to drive revenue, and a number of guest experience enhancements. At Wet'n'Wild Las Vegas, the new Season Pass program has been very successful to date and the park continues to perform well. Summer promotions are ongoing for the balance of the season. The implementation of new ticketing strategies across all parks followed a detailed internal analysis and external third party assessment of the existing offer. The new strategy focuses on simplifying the offering, while better catering to guest needs and improving ticket yield.

In relation to China and South East Asia, FY2016 has been successful for VRTP, with a number of opportunities progressing. In November 2015 an agreement was signed with Mission Hills, to operate Wet'n'Wild Haikou on Hainan Island, China's first Wet'n'Wild branded water theme park (expected to open mid CY2017). In July 2016 an agreement was also signed with Lai Sun to consult on the construction and then operation of Lionsgate's first themed immersive experience centre at Novotown on Hengqin Island (expected opening late CY2018). These opportunities do not require any VRTP capital commitment. VRTP continues to explore major theme park opportunities in Asia. The business is exploring a number of opportunities and developing a range of concepts, including the Village Cube, a mini theme park concept providing year round entertainment to a diverse array of guests. Further development of this concept in Asia would likely see some capital investment by VRL in partnership with local investors. The business also continues to pursue management opportunities across Asia to leverage its significant theme park and leisure entertainment experience.

Cinema Exhibition

The Cinema Exhibition division delivered a fifth consecutive record result, with EBITDA of \$82.0 million for the 12 months to 30 June 2016, up 14.6%, and PBT of \$62.5 million, up 17.2% on FY2015. A strong product line-up supported the outstanding performance of the division in FY2016. *Star Wars: The Force Awakens* was the stand out title in the first half, and indeed the year. The second half of FY2016 maintained an excellent pace, coming in just below the prior corresponding period. Key second half product included *Star Wars: The Force Awakens* holdover and the incredible success of *Deadpool* and *Finding Dory*.

After an exceptional first-half result, the Australian Cinema Exhibition business delivered FY2016 EBITDA of \$73.6 million, up 11.7% on the prior corresponding period, as the underlying strength of the business, combined with popular titles continued to deliver. Increased average ticket price contributed to the success of this business. The highly successful and ever-popular **max** and **Gold Class** concepts continue to expand, driving margins. **premium** further enhances this offering, with two of these "business class" auditoria opened at the Jam Factory during the year.

Spend per person similarly increased, with the expansion of hot food sales, gourmet popcorn, additional premium screens and record functions and event sales. International Cinema Content (primarily Chinese and Indian films) and Alternate Content such as sporting and music events continue to grow, achieving record results. Record screen advertising and sponsorship income further supported the Australian Cinema Exhibition business as key titles drove advertising and several new marketing partners were signed up. The Village Movie Club saw the ongoing growth of the loyalty program, increasing both the number of members and member box office share. Retail Gifting drove physical and digital sales, including a record Christmas Gifting campaign of over \$40.0 million across the joint Event and Village Cinemas circuit. Other successful marketing initiatives included the **Gold Class** Super Pass, online food and beverage package trial and the introduction of Family Pass tickets.

A number of sites were successfully completed and renovated throughout the year, including new sites at Glenelg (South Australia), North Lakes and Springfield (Queensland), and refurbishments at the Jam Factory, Sunshine, Bendigo and Century City Walk in Victoria, and Albury and Hurstville in New South Wales. Additionally, Roc's Jam Factory, a premium bar concept, opened in July 2016, along with the newly refurbished Jam Factory **Gold Class**.

In Singapore, the VRL group owns 50% of the Golden Village Cinema Circuit, the number one circuit with 43.7% market share. The business delivered a record EBITDA of \$11.7 million (share of associates profits), 42.6% up from FY2015. Premium pricing on Tamil/Hindi titles and additional public holidays drove increased average ticket price and movie combos linked with

OPERATING AND FINANCIAL REVIEW (continued)

Operational Results (continued)

Cinema Exhibition (continued)

key titles resulted in higher spend per person. Tiong Bahru reopened in May 2016 with five screens. The circuit continues to expand with an eight screen site at the SingPost Centre at Paya Lebar due to open in 2017.

In the United States, the VRL group owns 30% of iPic Theaters, which has built a reputation as the leader in upmarket cinema and dining, with 13 sites in operation at 30 June 2016. The business continues its program of development, targeting a critical mass of sites to disperse overheads and build out development costs. In FY2016 two new sites opened (Houston and Miami). A new site opened at Fort Lee in New Jersey in early August 2016 with two further sites underway in New York (one expected to open in FY2017). Additional sites are under development and consideration.

In FY2017, the Cinema Exhibition division will maintain its customer focus in all geographies, including a new Village Cinemas Australian mobile site already launched in early FY2017. Plans for the further roll out of **Gold Class** and **▼max** will add to the customer experience and ongoing margin enhancement. After a successful trial at the Jam Factory, **▼premium** cinemas will be rolled out as part of the refurbishments at Hobart (Tasmania) and Southland (Victoria). Additional new concepts are under consideration, further positioning Village Cinemas as the destination of choice.

The business has a number of new sites planned to open over the next few years, in line with the strategy to expand into population growth corridors, including in Palmerston (Northern Territory), Whitford and Innaloo (Western Australia), Plenty Valley (Victoria), Coomera (Queensland), and Green Square (New South Wales). In addition, FY2017 has a strong product line-up so a similarly strong result as FY2016 is anticipated in FY2017.

Film Distribution

The Film Distribution division delivered an EBITDA of \$24.5 million in the 12 months to 30 June 2016, down from \$34.6m in FY2015. In this dynamic and transitioning market, a balanced portfolio is vital, ensuring stability of earnings. To this end, Roadshow's portfolio includes a number of underlying agreements, the terms for which vary between lower risk, lower margin and higher risk, higher margin. Despite stand-out titles such as *Mad Max: Fury Road* (Home Entertainment), *Oddball* (Theatrical and Home Entertainment) and *Game of Thrones Series 5* (Home Entertainment), the division suffered from a softer overall product slate and lower margin titles. Results in the second half of FY2016 suffered the compound effect of the flow through of underperforming first half theatrical titles into Home Entertainment.

The markets in which Roadshow operates are healthy, however, the FY2016 result for the division reflected the absence of top performing titles in the portfolio. Australian FY2016 theatrical box office was strong, growing 10% year on year, and Roadshow's FY2016 market share of 17.3% was down from 25.4% in FY2015 due to lack of blockbuster titles. In Home Entertainment, the Australian physical market (approximately 79% of the Home Entertainment sector) declined 4.3% over FY2016, however this decline has been slowing, down from a 5.5% decline in the 12 months to 31 December 2015. Roadshow market share declined 2.6% to 28.6% in FY2016 as a result of weaker theatrical product from the first half. The digital transactional market grew 6.7% over FY2016, but off a lower base and not yet offsetting the decline in the physical market, and in Television, Subscription Video On Demand ("SVOD") is gaining traction as services such as Netflix, Stan and Presto gain popularity.

In Theatrical, there were a number of strong performing titles in FY2016 including *The Hunger Games: Mockingjay Part 2*, *The Conjuring Part 2* and *Batman v Superman: Dawn of Justice*. Roadshow continued to achieve outstanding results in the Australian film industry with local content, with the strong performance of the FY2016 release, *Oddball* and the highly anticipated prequel, *Red Dog True Blue*, scheduled to release on Boxing Day 2016.

In Home Entertainment, FY2016 represented the first full 12 months of distributing the Warner Bros. Home Entertainment product. The nature of this arrangement is relatively low margin however it generates market share and profile. There were a number of standout titles for FY2016, however the flow through effect of underperforming Theatrical titles and the closure of ABC stores impacted Roadshow Home Entertainment.

In Television, Roadshow delivered a strong result for FY2016 with a number of key titles including *The Hunger Games: Catching Fire*. SVOD platforms continue their success in Australia, and Roadshow Television is a leading supplier of content to both Netflix and Stan having recently secured second year packages. Roadshow also enjoys output supply arrangements with Foxtel, Channel Nine, TVNZ and a renewed multi-year agreement with Sky TV.

FY2017 has got off to a strong start, with *Suicide Squad* and *Bad Moms* releasing at the beginning of August both with excellent early results. Roadshow has an ongoing commitment to review all elements of the division to ensure optimal alignment with the growth markets. As part of an optimisation strategy, Roadshow closed the New Zealand office during FY2016 and distribution of all product for the New Zealand market is now managed out of Australia. Given the reduction in profits, the division undertook a restructure in FY2016, which is expected to deliver overhead savings in FY2017.

As the industry transitions away from physical sales to the growing digital channels, Roadshow considers content ownership key. A strong content library, partnerships with leading studios and distribution agreements with leading digital providers positions Roadshow across the product lifecycle to maximise returns. Throughout FY2016, Roadshow has successfully executed a number of operational strategies to ensure its success.

VRL holds 31% and two seats on the Board of FilmNation Entertainment, an international film sales company. FilmNation has diversified to selling in-house productions, de-risked by pre-selling around the world and in the United States. The first two films since VRL's investment de-risked in this way are *The Founder* and *Arrival*. FilmNation has a diverse development slate and a number of other titles in various stages of pre-production. This diversifies Roadshow's revenue stream through access to world markets and the possibility of break out hit movies in the low budget genre. Roadshow has also secured an output agreement with STX, a new studio and production company, ensuring control over distribution and marketing of its content. STX will deliver a substantial slate of theatrical films into FY2017, including *Bad Moms* in August 2016.

In June 2016, Roadshow announced the formation of a new television production company, Roadshow Rough Diamond, with John Edwards, one of Australia's most successful and prolific television producers and his son, former ITV Studios and Endemol executive, Dan Edwards. With a focus on quality drama, the business will create original long-form television and feature film content for domestic and international audiences from FY2017. This venture will not require capital investment by the VRL group to fund production.

Marketing Solutions

VRL's Marketing Solutions division is a network of data-driven sales promotion and loyalty businesses with operations in Australia (under the Edge Loyalty banner) and Europe/USA (under the Opia banner). Previously Edge Loyalty was reported within Other, however the combination of Edge Loyalty and newly acquired Opia created the separately reported Marketing Solutions division. The Marketing Solutions division works with leading global brands to help them sell more product, acquire more customers and retain business.

FY2016 has seen Marketing Solutions continue to expand its portfolio of complementary products and services to meet existing clients' promotional needs, winning more business from existing accounts whilst also opening up new opportunities. Marketing Solutions delivered an EBITDA of \$8.0 million for the 12 months to 30 June 2016, an increase of 172.0% on FY2015 and PBT of \$5.6 million, up from \$2.2 million in FY2015. This result reflects the inclusion of Opia following its acquisition in December 2015.

For Edge Loyalty, FY2016 was a year for growth and development of existing solutions and investment in new business, expected to positively contribute to the VRL group in the medium term – the business achieved strong organic growth in the Lifestyle Rewards product and in the Consumer business (Good Food Gift Card), which has become the market leader in its category.

In December 2015, VRL announced that it had acquired 80% of Opia, a UK-based sales promotion consultancy for \$50 million. The CEO and Sales Director of Opia retained 10% equity each following the acquisition, and the acquisition positions the Marketing Solutions division as a global player in the sales promotion and loyalty market, further diversifying the VRL group's business and providing opportunity for growth. During the second half of FY2016, Opia successfully delivered large scale, multi-territory sales promotions for leading Consumer Electronic brands including HP and Samsung.

Marketing Solutions' global expansion is now underway, with the UK operations providing a platform for growth across Europe, as well as recently securing new opportunities in North America. Marketing Solutions has re-signed a number of key clients in Australia and UK that will provide a solid base for growth within existing accounts. The division has also recently increased its sales force and account management teams to meet the growing demand for the division's unique suite of marketing and promotional services and the division is expecting to capitalise on this investment in FY2017.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)

Operational Results (continued)

Marketing Solutions (continued)

FY2017 will see Marketing Solutions work increasingly strategically with key accounts, selling a range of solutions. Most importantly, Marketing Solutions will continue to play a key role in driving market adoption of digital promotional solutions, from digital platforms through to digital rewards and reporting – Marketing Solutions will continue to invest heavily in the digital and IT platforms that underpin the division's continued growth.

Film Production

Village Roadshow Entertainment Group ("VREG") is an equity-accounted associate of VRL and consists of Village Roadshow Pictures ("VRP") and Village Roadshow Pictures Asia ("VRPA"). VREG released its first Hollywood film in 1998 and has gone on to establish itself as the leading independent co-producer/co-financier in the world with 90 films released through to 30 June 2016. VREG represents an opportunity for growth, as it has one of the strongest line ups of films in its history, and is realising a strategy put in place that emphasises films with global brand and franchise potential.

Through its partnership with two major studios in Warner Bros. and Sony Pictures, VREG has created a strong portfolio of major motion pictures with global box office potential, including *Sully* (Warner Bros.), *The Magnificent Seven* (Sony/MGM), and *Collateral Beauty* (Warner Bros./New Line). In relation to sequels and franchises, VREG's strong library includes iconic titles such as *The Matrix*, *Mad Max*, *I am Legend* and *Sherlock Holmes*. Amongst VREG's upcoming releases, a number have significant franchise and sequel potential, including *Ready Player One* – developed with Warner Bros., *King Arthur: Legend of the Sword*, and *Oceans Eight*.

In relation to the Chinese production strategy, the Chinese box office last year was estimated at USD 6.8 billion, making it the world's biggest market other than the USA. Domestic films and Sino-foreign co-productions are estimated to have generated an impressive 61.6% of that total (USD 4.2 billion). VREG's Asian film production business, VRPA is one of the most deeply embedded and prolific foreign players in China's booming local production market.

VRPA brings to the table a unique package that combines rich local market experience and know-how with wide-ranging international film expertise and relationships. VRPA has a Beijing-based bicultural and multilingual team and its portfolio approach and growing focus on the development of franchises mirrors that of VRP. In view of the dynamic and somewhat unpredictable nature of China's film industry, VRPA has found it beneficial to anchor itself with a hands-on approach to primary development and direct relationships with several of China's leading filmmakers. VRPA's releases to date include Stephen Chow's record-breaking *Journey to the West*; Leste Chen's hit romantic comedy *Say Yes!*; Han Yan's *Go Away, Mr. Tumour!*; Sammo Hung's *The Bodyguard*, and *Cold War I and II* – the latter having set new box office records in Hong Kong and Mainland China.

VREG are engaged in discussions with studio partners to co-produce and co-finance TV series with global appeal utilising both original content and IP based on the division's film library. VREG believe this initiative will be both of strategic value and accretive to the film production business and will enable further growth of VREG's Hollywood content business.

Other

Total net Corporate & Other costs for the 12 months ended 30 June 2016 were \$39.6 million, compared to \$35.6 million for FY2015 and EBITDA was a \$33.7 million loss, compared to a \$30.8 million loss. The main increase in this segment relates to an investment in investigating and utilising digital technology to drive revenue growth in the core businesses as summarised below.

In December 2015, the main Divisional and Corporate finance facilities were refinanced into a consolidated VRL group facility, which also resulted in an increased facility limit of \$800 million and extended expiry dates of December 2019 and 2020. This new VRL group facility, which has been drawn to \$590 million as at 30 June 2016, is fully revolving, with no amortisation payments required. The staged restructuring of finance facilities since December 2014 has resulted in significant cost reductions and increased flexibility for the VRL group. In FY2016, debt draw downs of the group facility totalled approximately \$100 million and related to a number of key investments including the acquisition of Opia, the contribution to VREG's new corporate debt facility, further instalments for the investment in FilmNation Entertainment, new Cinema sites and refurbishments and rides at Warner Bros. Movie World.

The investment in Digital & IT Development in FY2016 was \$5.4 million, up from \$3.4 million in FY2015, as the business invested in infrastructure upgrades and new technology to support the operations of the business

and enhance the customer experience. Digital Development continues to be a critical focus for VRL, as data and technology enables greater knowledge of customers, driving sales, increasing customer satisfaction and reducing costs. In FY2016, the Digital team bedded down a number of tools and completed a series of strategic engagements across multiple divisions. In FY2017, the focus will be on programs of innovation and development to engage new and existing customers.

Material Items

Material items loss after tax of \$35.2 million in the year ended 30 June 2016 comprised equity-accounted losses on net investments of \$22.5 million (being the previously announced loss of \$20.0 million in relation to the VREG subordinated loan of USD 15.0 million, and \$2.5 million in relation to iPic contributions of USD 1.8 million), restructuring costs totalling \$7.6 million (including the write-off of capitalised borrowing costs on the previous finance facilities, acquisition costs relating to Opia, and other costs relating to restructuring in the Film Distribution division), and impairment of assets and other non-cash adjustments totalling \$5.1 million (including adjustments relating to balance sheet items in the Marketing Solutions division).

Material items in the year ending 30 June 2017, resulting from transactions after 30 June 2016, include the investment of a further approximately USD 5.0 million in VREG to ensure the continuity of development, and contributions totalling approximately USD 14.3 million to iPic Theaters to continue the planned program of development.

Financial Position

During the year ended 30 June 2016, total assets of the consolidated entity increased by \$59.4 million, including increases in intangible assets of \$50.8 million and property, plant and equipment of \$29.7 million, which were partly offset by a decrease in cash of \$31.0 million. Total liabilities increased by \$104.6 million, including an increase in borrowings of \$101.6 million. Total equity of the consolidated entity decreased by \$45.3 million to \$480.4 million during the year, which was mainly attributable to decreases in reserves of \$20.6 million (mainly resulting from the negative Controlled Entity Acquisition Reserve referred to below) and retained earnings of \$29.3 million (resulting from attributable net profit for the year of \$15.7 million, less dividends declared during the year of \$45.0 million).

The VRL group's net debt as at 30 June 2016 was \$534.7 million, giving a gearing ratio of 53%, compared to the prior year's gearing ratio of 43%. Of the total debt of \$599.1 million, \$1.1 million is classified as current liabilities, and \$597.9 million is classified as non-current liabilities, which has been determined in accordance with the requirements of the VRL group's relevant finance agreements.

As previously announced, during the year ended 30 June 2016, the VRL group acquired 80% of Countrywide Property Investments (UK) Limited and its subsidiaries ("Opia"), as part of the VRL group's expansion of its Marketing Solutions division. As disclosed in Note 32 to the Financial Statements, the acquisition of Opia resulted in an increase in goodwill of \$52.5 million, and also resulted in a negative Controlled Entity Acquisition Reserve of \$15.8 million at the time of acquisition. Other than the above, there have been no significant changes in the state of affairs of the consolidated entity during the financial year.

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.

Subsequent to 30 June 2016, the VRL group has provided additional Subordinated Debt funding to an associated entity, iPic-Gold Class Entertainment LLC ("IGCE"), which may be converted to equity. The funding that has been provided subsequent to 30 June 2016, plus further amounts that will be provided prior to 30 September 2016, total USD 14.3 million. In addition, further funding of USD 5.0 million has been provided to another associated entity, VREG, subsequent to 30 June 2016.

Due to equity-accounting requirements, as both IGCE and VREG have negative net assets, these further net investment amounts will be immediately expensed, and these losses will be disclosed as Material Items in the VRL group's results for the half-year ending 31 December 2016 and the year ending 30 June 2017.

Environmental Regulation and Performance

The VRL group was subject to the *National Greenhouse and Energy Reporting Act* for the year ended 30 June 2016, 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 expansion in relation to the Group's involvement in theme parks in China and South east Asia;
- Ongoing review of potential further investments across the VRL group's various divisions, subject to acceptable financial returns;
- Increase in output of films per year by VREG, improving the financial performance of the Film Production division;
- Continuing to monitor opportunities in the digital and online space; and
- Continuing to closely monitor and review corporate overheads, including remuneration costs, in light of ongoing efficiency reviews.

Business Risks

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

- Consumer spending – a shift in the patterns with which consumers spend their disposable income could impact the Group in all of its businesses, however historical experience has shown that the Group's entertainment offerings are generally impacted less by economic downturns compared to other discretionary expenditures of consumers;
- Competition – all of the Group's businesses are continuously vying for customers against a wide variety of competitive forces;
- Technology – the media through which people receive entertainment content is ever-changing, with increased digitalisation and portability being key focuses for many consumers, although the uniqueness of the Group's 'out-of-home' entertainment experiences appear to have reduced the extent and impact of this issue;
- Piracy – the ongoing issue of film and music piracy poses a challenge to the Group's Cinema Exhibition, Film Distribution and Film Production businesses, and the VRL group is actively working with other industry participants to reduce the severity of this risk – recently-enacted legislative changes in Australia should also assist in this respect;
- Lack of quality films – the Cinema Exhibition and Film Distribution businesses are dependent on a solid and reliable flow of quality, high grossing film content. This risk has been partly mitigated in Film Distribution by long term supply contracts with major suppliers, including Warner Bros., and in Cinema Exhibition by new offerings (e.g. Gold Class) and alternative content and uses;
- Film production volatility – film production is an inherently volatile business. This risk is partly mitigated by VREG adopting a portfolio approach, however the Film Distribution division may also be impacted;
- Weather – extreme weather events can challenge admission levels at the Theme Parks division's businesses, with potential customers not travelling to such destinations when the weather is severe, such as floods or cyclones. The VIP season pass ticket promotions and memberships seek to partially address this risk by allowing tickets to be utilised when better weather returns;
- International tourism – tourism can be affected by multiple factors including foreign currency exchange rates, severe weather, disease outbreaks and terrorism threats, however none of the VRL group's businesses, including in the Theme Parks division, are heavily reliant on international visitation (although they are still affected to some extent);

- Safety – the Theme Parks and Cinema Exhibition businesses operate public venues and (in the case of Theme Parks) rides and other attractions, with the consequence that there is risk of physical injury or harm. The VRL group takes its commitment to the safety of both its staff and its patrons at all of the Group's venues very seriously, primarily in order to ensure that a safe environment is always provided for patrons and staff, and as a secondary issue, to minimise any adverse legal or reputational consequences of any serious incidents; 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 continue to produce solid operating profits in future years. The Group has maintained an appropriate net debt position and has enjoyed reliable cash-flows from its existing businesses. If this continues, the Group may be able to take advantage of potential future profitable development opportunities when they arise, which may include opportunities in Australia and elsewhere, with a focus on Asia. Specific future prospects for each division have been included in the Operational Results section above.

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

SHARE OPTIONS

Details of unissued shares under option, and shares issued as a result of the exercise of options, are set out in Note 19 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, in respect of any person who is or has been an officer or auditor of the Company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability (including costs and expenses incurred in successfully defending legal proceedings) incurred as an officer or auditor, nor has the Company paid or agreed to pay a premium for insurance against any such liabilities incurred as an officer or auditor other than an un-allocated group insurance premium which has been paid to insure each of the Directors and Secretaries of the Company against any liabilities for costs and expenses incurred in defending any legal proceedings arising out of their conduct as officers of the Company or related body corporate, other than conduct involving wilful breach of duty.

REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is set out on pages 20 to 30.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' MEETINGS

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

NAME OF DIRECTOR	NUMBER OF MEETINGS HELD WHILE IN OFFICE				NUMBER OF MEETINGS ATTENDED			
	Formal	Audit & Risk	Remuneration	Corporate Governance and Nomination	Formal	Audit & Risk	Remuneration	Corporate Governance and Nomination
Robert G. Kirby	9	–	–	–	6	–	–	–
Graham W. Burke	9	–	–	–	9	–	–	–
John R. Kirby	9	–	–	–	7	–	–	–
David J. Evans	9	–	4	4	8	–	4	4
Peter D. Jonson	3	1	2	3	2	1	1	3
Jennifer Fox Gambrell	6	2	2	–	2	1	2	–
Peter M. Harvie	5	–	–	–	5	–	–	–
Robert Le Tet	9	3	–	2	9	3	–	2
Timothy M. Antonie	9	3	4	3	9	3	4	3
Julie E. Raffae (alternate)	3	–	–	–	3	–	–	–

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

TAX CONSOLIDATION

A description of the VRL group's position in relation to Australian Tax Consolidation legislation is set out in Note 4 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 17.

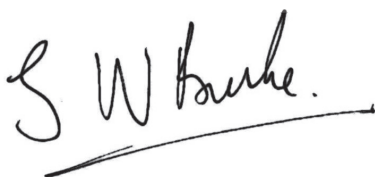
NON-AUDIT SERVICES PROVIDED BY AUDITOR

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 15th day of September 2016.



G.W. Burke
Director

AUDITOR'S INDEPENDENCE DECLARATION



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

Tel: +61 3 9288 8000
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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 2016, 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.

A stylized signature of the Ernst & Young firm, consisting of the letters 'EY' followed by a large, flowing loop.

Ernst & Young

A stylized signature of David Shewring, consisting of a series of loops and a long horizontal stroke.

David Shewring

Partner

Melbourne
15 September 2016

RECONCILIATION OF RESULTS

for the year ended 30 June 2016

	THEME PARKS		CINEMA EXHIBITION		FILM DISTRIBUTION		MARKETING SOLUTIONS		OTHER		TOTAL	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(i) Reconciliation of results:												
Continuing Operations:												
Earnings before Interest, Tax, Depreciation and Amortisation, excluding material items of income and expense ("EBITDA")	87,952	87,461	81,983	71,519	24,492	34,622	7,998	2,939	(33,672)	(30,828)	168,753	165,713
Depreciation and amortisation	(49,741)	(48,685)	(15,694)	(14,611)	(3,524)	(3,030)	(983)	(522)	(1,666)	(1,365)	(71,608)	(68,213)
Finance costs before finance restructuring costs	(14,905)	(16,391)	(4,183)	(4,165)	(4,381)	(4,256)	(1,959)	(181)	(4,983)	(5,388)	(30,411)	(30,381)
Interest income	134	189	342	555	781	1,338	588	2	727	1,980	2,572	4,064
Operating profit (loss) before tax and material items of income and expense ("PBT")	23,440	22,574	62,448	53,298	17,368	28,674	5,644	2,238	(39,594)	(35,601)	69,306	71,183
Income tax (expense) benefit, excluding material items	(7,124)	(7,073)	(15,859)	(15,044)	(5,399)	(8,997)	(1,155)	(814)	11,995	10,966	(17,542)	(20,962)
Operating profit (loss) after tax, before material items of income and expense	16,316	15,501	46,589	38,254	11,969	19,677	4,489	1,424	(27,599)	(24,635)	51,764	50,221
Non-controlling interest, excluding material items	(289)	(146)	-	-	-	-	(610)	-	-	-	(899)	(146)
Attributable operating profit (loss) after tax, before material items of income and expense ("NPAT")	16,027	15,355	46,589	38,254	11,969	19,677	3,879	1,424	(27,599)	(24,635)	50,865	50,075
Material items of income and expense before tax	(2,034)	(12,545)	(3,824)	(834)	(2,445)	-	(7,975)	-	(21,538)	1,182	(37,816)	(12,197)
Income tax benefit (expense) – material items	610	1,275	182	-	(616)	-	2,010	-	428	935	2,614	2,210
Material items of income and expense after tax	(1,424)	(11,270)	(3,642)	(834)	(3,061)	-	(5,965)	-	(21,110)	2,117	(35,202)	(9,987)
Material items – Non-controlling interest	-	3,836	-	-	-	-	-	-	-	-	-	3,836
Material items – (Loss) profit after tax & non-controlling interest	(1,424)	(7,434)	(3,642)	(834)	(3,061)	-	(5,965)	-	(21,110)	2,117	(35,202)	(6,151)
Total profit (loss) before tax from continuing operations	21,406	10,029	58,624	52,464	14,923	28,674	(2,331)	2,238	(61,132)	(34,419)	31,490	58,986
Total income tax (expense) benefit from continuing operations	(6,514)	(5,798)	(15,677)	(15,044)	(6,015)	(8,997)	855	(814)	12,423	11,901	(14,928)	(18,752)
Total non-controlling interest	(289)	3,690	-	-	-	-	(610)	-	-	-	(899)	3,690
Total attributable profit (loss) after tax from continuing operations per the statement of comprehensive income	14,603	7,921	42,947	37,420	8,908	19,677	(2,086)	1,424	(48,709)	(22,518)	15,663	43,924
Discontinued Operations:												
Attributable profit after tax from discontinued operations											-	-
Net profit attributable to the members of Village Roadshow Limited											15,663	43,924

	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(iii) Material items of income and expense from continuing operations:												
Equity-accounted losses on net investments	-	-	(2,451)	-	-	-	-	-	(20,046)	-	(22,497)	-
Impairment and other non-cash adjustments	-	(8,294)	(456)	(834)	-	-	(6,209)	-	(467)	-	(7,132)	(9,128)
Restructuring costs	(2,034)	(1,545)	(917)	-	(2,445)	-	(1,766)	-	(1,025)	(2,116)	(8,187)	(3,661)
Legal settlements and expenses	-	(2,706)	-	-	-	-	-	-	-	-	-	(2,706)
Profit on disposal of investments/businesses	-	-	-	-	-	-	-	-	-	3,298	-	3,298
Total loss from material items of income and expense before tax	(2,034)	(12,545)	(3,824)	(834)	(2,445)	-	(7,975)	-	(21,538)	1,182	(37,816)	(12,197)
Income tax (expense) benefit	610	1,275	182	-	(616)	-	2,010	-	428	935	2,614	2,210
Total non-controlling interest – material items	-	3,836	-	-	-	-	-	-	-	-	-	3,836
Total attributable loss from material items of income and expense after tax	(1,424)	(7,434)	(3,642)	(834)	(3,061)	-	(5,965)	-	(21,110)	2,117	(35,202)	(6,151)
(iii) Earnings Per Share adjusted to eliminate discontinued operations and material items of income and expense from the calculations:												
Basic EPS											31.7c	31.4c
Diluted EPS											31.4c	31.0c

Notes:

1. The new Marketing Solutions division includes the results of the Edge business, and the Opia business of which 80% was acquired in December 2015, and Asia Development Costs have now been included in the Theme Parks division (previously included in Other). Comparative figures for these changes have been adjusted accordingly.
2. The Village Roadshow Limited group ("VRL group") results are prepared under Australian Accounting Standards, and also comply with International Financial Reporting Standards ("IFRS"). The Reconciliation of Results includes certain non-IFRS measures including EBITDA and operating profit excluding material items of income and expense and discontinued operations. These measures are used internally by management to assess the performance of the business, make decisions on the allocation of resources and assess operational management. Non-IFRS measures have not been subject to audit or review, however all items used to calculate these non-IFRS measures have been derived from information used in the preparation of the audited or audit-reviewed (as applicable) financial statements.

REMUNERATION REPORT

STRUCTURE OF THIS REPORT

Village Roadshow is committed to the transparency of its remuneration arrangements. This year, the Remuneration Report ("Report") has been substantially updated to improve the clarity of information and to explain proposed changes to executive remuneration in FY2017. The information in this Report has been audited as required by Section 308(3C) of the *Corporations Act 2001* ("the Act") and forms part of the Directors' Report in accordance with Section 300A of the Act. The Report is organised as follows:

1. Scope of the Remuneration Report	
2. Remuneration strategy and governance	(a) Remuneration framework summary (b) Remuneration governance (c) Changes effective for FY2017
3. Remuneration framework	(a) Fixed compensation (b) Short-term incentives (c) Long-term incentives
4. Remuneration outcomes and corporate performance	(a) Performance against financial metrics (b) Performance against non-financial metrics (c) Remuneration of Key Management Personnel (d) Five year company performance
5. Employment contracts	(a) Executive Directors (b) Executive Committee
6. KMP transactions and holdings	(a) Ordinary shares held by KMP (b) 'In substance options' held by KMP (c) Options over ordinary shares held by KMP
7. Non-executive director remuneration	(a) Remuneration summary (b) Directors' Share Plan
8. Other transactions with KMP	

1. SCOPE OF THE REMUNERATION REPORT

This Report details the remuneration arrangements for directors and senior executives of Village Roadshow Ltd. These key management personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Group. The names, positions, and terms of KMP active during FY2016 are as follows:

Name	Current Title/Position	Started as KMP	Cessation	Current Category
Robert G. Kirby	Co-Executive Chairman and Co-CEO	5 July 2001	–	Executive Director
Graham W. Burke	Co-Executive Chairman and Co-CEO	9 September 1988	–	Executive Director
Clark J. Kirby	Chief Operating Officer	1 December 2010	–	Executive Committee Member
Julie E. 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	–	Executive Committee Member
John R. Kirby	Non-Executive Director	12 August 1988	–	Non-Executive Director
David J. Evans	Independent Director	2 January 2007	–	Non-Executive Director
Peter D. Jonson	Independent Director	24 January 2001	19 November 2015	Non-Executive Director
Robert Le Tet	Independent Director	2 April 2007	–	Non-Executive Director
Timothy M. Antonie	Independent Director	1 December 2010	–	Non-Executive Director
Peter M. Harvie	Independent Director	20 June 2000	3 February 2016	Non-Executive Director
Jennifer Fox Gambrell	Independent Director	19 November 2015	–	Non-Executive Director

2. REMUNERATION STRATEGY AND GOVERNANCE

(a) Remuneration framework summary

The Group's remuneration strategy is to provide a locally and internationally competitive offer, with a significant 'at-risk' component to motivate short and long-term performance in line with its business strategy.

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

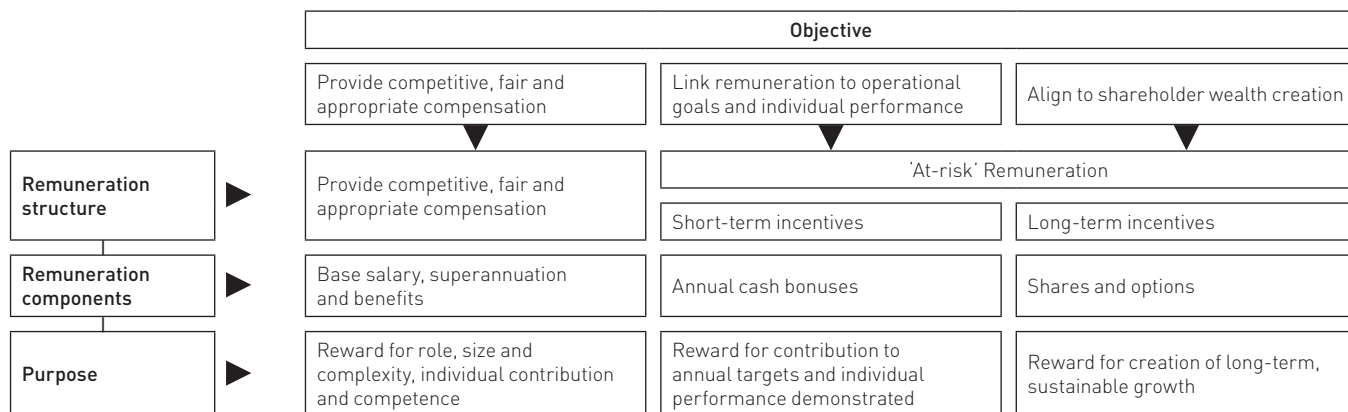
VRL's two Executive Directors, Mr. Robert Kirby and Mr. Graham Burke, are both Co-Executive Chairman and Co-Chief Executive Officer ("CEO") of VRL. These titles recognise that both Mr. Kirby and Mr. Burke work closely together as a highly effective team as the two most senior executive officers in the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

2. REMUNERATION STRATEGY AND GOVERNANCE (continued)

(a) Remuneration framework summary (continued)

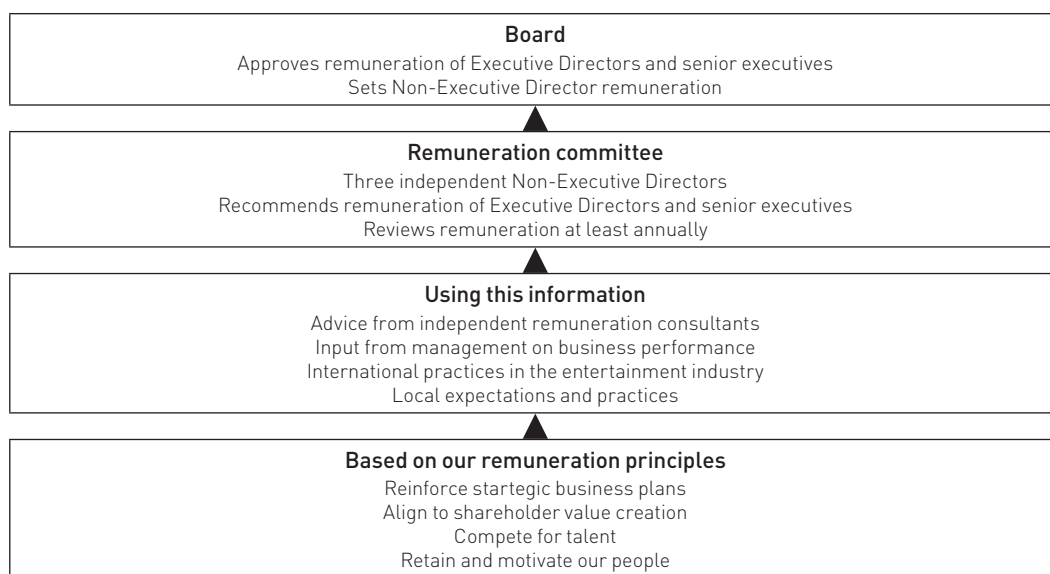
The Company's remuneration strategy is also designed to motivate executives to deliver shareholder value in the short and long-term. The 'at-risk' component of executive remuneration in FY2016 is payable based on performance against a mix of corporate and individual measures. Executives also hold substantial 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 follows. 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 FY2017

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. Effective 1 July 2016 the Company has implemented changes to the remuneration framework to further align executive interests with those of shareholders. These changes are:

- (i) Base remuneration for Co-Chairmen/Co-CEOs has been decreased to \$1,718,655 per annum from \$2,687,310 – base remuneration includes superannuation and other benefits and allowances;
- (ii) The prior contractual ability for the Co-Chairmen/Co-CEOs to seek a potential loan from the Company of up to \$2 million has been removed;
- (iii) Short-term incentives ("STI") for the Co-Chairmen/Co-CEOs have increased from a maximum potential amount of \$750,000 each in FY2016 to a maximum potential amount of 100% of base remuneration in FY2017 and future years. These 'at-risk' STIs will be subject to performance hurdles including Net Profit After Tax ("NPAT") (45% of potential total STI), Cash Flow Return on Investment ("CFROI") (20% of potential total STI) and strategic initiatives around capital investment and management and revenue growth initiatives (35% of potential total STI);
- (iv) STI bonus calculations for all KMP will be based on reported results including material items;
- (v) The introduction of an STI clawback policy for all KMP in the event of an amendment to reported financial results;
- (vi) The Co-Chairmen/Co-CEOs have entered into new contracts on the above terms with effect from 1 July 2016; and
- (vii) The Company's Executive Share Plan ("ESP") has been amended from FY2017 to include hurdle rates comparing the Company's Total Shareholder Return ("TSR") to the relevant ASX200 benchmark group such that ESP shares will partially vest if the Company achieves a TSR of 50% of the relevant benchmark and will fully vest if the Company achieves 75% or more of the relevant TSR benchmark, with pro-rata vesting between these points. TSR must be positive for any vesting to occur. Also future allocations under the ESP will be on an annual basis (excluding the Co-CEO/Co-Chairmen) as a proportion of remuneration based on seniority, personal and company performance, with vesting over five years. TSR is considered to be the most appropriate performance hurdle as it takes into account both share price performance and dividend payments over time.

REMUNERATION REPORT (CONTINUED)

for the year ended 30 June 2016

3. REMUNERATION FRAMEWORK

The Company's remuneration framework for FY2016 is set out below and has three components: fixed compensation, short-term incentives and long-term incentives ("LTI"). Effective 1 July 2016, the Company has implemented a number of changes to the remuneration framework, and the changes are set out on page 21.

(a) Fixed compensation

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

The Group provides benefits such as Company-maintained vehicles, vehicle leases or car allowances as part of fixed remuneration. Superannuation or retirement benefit amounts within statutory limits are also paid, including various ancillary insurance covers. The grossed-up taxable value of these benefits have been included as a non-monetary benefit, with the details of the value of these benefits set out on pages 26 and 27 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 – maximum of \$750,000 Executive Committee Members – 100% of base salary		
Performance measures	Measure	Calculation	% component
	Cash flow return on investment ("CFROI")	Earnings before interest, tax, depreciation and amortisation ("EBITDA"), excluding material items of income and expense and discontinued operations, as a percentage of capital employed, represented by total shareholders' equity plus net debt.	33.3% for Executive Directors 16.7% for Executive Committee Members
	Budgeted net profit after tax ("NPAT")	Budget set by the Board for the year for net profit after tax before material items and discontinued operations, adjusted for any acquisition or disposal of a business during the year.	66.7% for Executive Directors 33.3% for Executive Committee Members
	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%.	
	Budgeted NPAT	50% payable on the Company achieving 92.5% of the Budgeted NPAT; 50% payable pro-rata on a sliding scale 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 two financial years.	
	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.	
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. Raffae as Finance Director of the Company in May 2012, Ms. Raffae'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. Raffae 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. Raffae 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 \$54,090 for the 2016 financial year (2015: \$71,920).		

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.
Eligibility	All Executive Committee Members (other than Directors) and other non-KMP senior managers.
Instrument	The Remuneration Committee issues restricted shares for purchase by Executives using a limited recourse loan. The shares are held directly by the Executive who pays for the allotment by obtaining a loan from the consolidated entity which holds security over the shares. Under the terms of that loan, the holder is restricted from selling or otherwise dealing with the shares while they are restricted. Any value accruing to the recipient is derived from improvement in the Company's share price and dividends and distributions by the Company.
Grant value	<p>Shares are issued from time to time at the Remuneration Committee's discretion. There were no long-term incentive plan allocations during the year ended 30 June 2016 to any Executive Committee Member. On 29 June 2015 an allotment of 300,000 and 100,000 shares was made to Messrs C.J. Kirby and S.T. Phillipson respectively at \$6.56 per share under the Company's Executive Share Plan. The fair value of each 'in substance option' estimated at date of grant on 29 June 2015 was \$1.30.</p> <p>For details of current grants to Executive Committee Members, see 'In Substance Options' on page 29 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 26 and 27 of this Report.</p>
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 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. 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.
Vesting schedule	One third of the grant is earned and becomes exercisable at the end of years 3, 4 and 5 from the date of issue.
Performance hurdles	There are no specific performance conditions for the removal of restrictions over shares granted under the ESP.
Termination/forfeiture	<p>If the Executive Committee Member resigns or is dismissed, the restricted shares are forfeited and the loan on the remaining unrestricted shares must be repaid within six months or such other time as approved by the Company's Remuneration Committee. If the market value of the remaining shares at the end of the six month period is less than the amount owing on the loan, the Company buys back the shares and cancels them in repayment of the loan without further recourse to the former Executive Committee Member.</p> <p>There are no provisions for the automatic removal of holding restrictions on the relevant shares in the event of a change of control of the Company.</p>
Hedging	Consistent with the <i>Corporations Act 2001</i> , Executive Committee participants are prohibited from hedging their unvested 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	<p>The fair value of these 'in substance option' grants are amortised on a straight-line basis over five years. The Company does not consider it is appropriate to ascribe a 'value' to the LTI for remuneration purposes other than the amortised fair value measurement in accordance with the provisions of AASB 2: <i>Share-based Payment</i>. From 1 January 2005, options or 'in substance options' granted have been valued using the Black Scholes or binomial option-pricing model or the Monte Carlo simulation technique, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.</p> <p>The Company has used the fair value measurement provisions of AASB 2: <i>Share-based Payment</i> for all options or equity instruments granted after 7 November 2002 which had not vested as at 1 January 2005. Under AASB 2: <i>Share-based Payment</i> these are all required to be accounted for and valued as equity-settled options. For the purpose of this Report, these have been referred to as 'in substance options' even where the equity instrument itself is not a share option.</p>

(ii) CEO Option Plan ("OP")

Objective	Retention of key executive talent and alignment of interests with shareholders. In October 2012, the employment contract of Mr. Graham Burke to December 2017 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 26 and 27 of this Report.
Grant price	<p>The option exercise price is adjusted for discounted cash issues, and the number of shares issued on exercise of an option is adjusted for bonus issues of shares.</p> <p>The options were initially exercisable at \$3.76 per share. Following the \$0.25 per share reduction of share capital approved by shareholders at the Annual General Meeting on 29 November 2013, the exercise price of the options was reduced to \$3.51 per share, effective from 31 December 2013.</p>
Performance period	Performance is measured over a three year period prior to each vesting date.

REMUNERATION REPORT (CONTINUED)

for the year ended 30 June 2016

3. REMUNERATION FRAMEWORK (continued)

(c) Long-term incentives (continued)

(ii) CEO Option Plan ("OP") (continued)

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	<p>The options become exercisable in tranches of one third (1.5 million options) on the first of March 2016, 2017 and 2018.</p> <p>Half of the tranche is subject to the Company achieving certain growth CAGR in EPS over the three year vesting period. If 8% CAGR is achieved over the period, all of that component vests. If between 4% and 8% CAGR is achieved, a pro-rata straight line vesting scale is applied.</p> <p>The other half of the tranche is subject to growth in DPS. The Company must achieve 8% CAGR in DPS over two out of the four year vesting period for the full amount of that component to vest. If between 4% and 8% growth is achieved, a pro-rata straight line vesting scale is applied.</p> <p>The effect of the performance hurdles on the potential vesting of the options can be illustrated as follows:</p>				
	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	<p>If Mr. Burke's contract is terminated for cause, Mr. Burke may exercise vested options within one month of cessation of employment and all unvested options will lapse. In the event of termination without cause prior to December 2017, including by way of redundancy, all option terms continue as if Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met. If Mr. Burke voluntarily terminates his employment with the Company including by way of resignation or retirement, all options terms continue for 12 months as if Mr. Burke's employment had not ceased and on that date all remaining vested and unvested options shall lapse. This is considered appropriate to allow orderly succession planning and to recognise that the benefit from activities during the contract accrue in the following 12 months, which also matches the non-compete period. If Mr. Burke dies or involuntarily terminates his employment with the Company including by way of early retirement due to ill health, permanent disablement or mental incapacity, the Company retains the right to allow all option terms to continue as if Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met.</p> <p>There are no provisions for the automatic removal of holding restrictions on the relevant shares in the event of a change of control of the Company.</p>				
Hedging	Consistent with the <i>Corporations Act 2001</i> and under the terms of the OP, Mr Burke is prohibited from hedging his unvested options.				

(iii) Legacy equity-linked performance plan

The Group has a loan arrangement over a 1993 legacy equity-linked performance plan in which Mr. P.M. Harvie was the sole remaining participant. Dividends were used to repay the interest accrued with any surplus dividend payment used to repay the capital amount of the loan. All grants to Mr. Harvie under this legacy plan were in his capacity as an executive of the consolidated entity and were prior to him becoming KMP of the Company. Loans over 64,350 shares were repaid from dividends during 2016 (2015: 128,700 shares) and all loans over these shares have now been repaid in full.

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE

The Company's growth strategy continues to be one of development and growth within its portfolio of unique assets. FY2016 saw the building blocks for the future put in place, with several new initiatives progressing that will see the business continue to deliver strong cashflows and maintain its commitment to paying dividends.

Disappointing FY2016 results from Wet'n'Wild Sydney and the Film Distribution division were offset by a fifth consecutive year of record results in Cinema Exhibition, solid results from the Gold Coast Theme Parks and the inclusion of approximately six months of Opia in the Marketing Solutions division. This saw the Company deliver an increase in trading results for the year despite a decline in attributable net profit (after material items).

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	\$168.8 million
Cash flow return on investment ("CFROI")	17.37%
Net profit after tax, before material items and discontinued operations ("NPAT")	\$50.9 million

(b) Performance against non-financial metrics

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

In FY2016, the following key objectives were achieved:

- letter of intent signed to acquire the rights to bring Topgolf to Australia;
- acquisition of Opia;
- management agreement signed with Mission Hills to operate Wet'n'Wild Haikou on Hainan Island in China; and
- formation of Roadshow Rough Diamond to create original long-form television and local feature film content.

Executive remuneration during FY2016 reflected these results, as outlined below.

(i) Short-term incentives

Short-term incentive components	% 'at-risk' for Executive Directors	% 'at-risk' for Executive Committee Members	Awarded
CFROI	33.3%	16.7%	Partially
NPAT	66.7%	33.3%	No
Individual performance		50%	Based on individual

The component of short-term incentives relating to NPAT was not awarded as the hurdle was not met, and the component relating to CFROI was awarded at 86.8% of target. For more detail on the Group's short-term incentive plan, refer to page 22.

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

Executive Share Plan

Executive Committee members (other than Directors) can participate in the Executive Share Plan ("ESP"), together with non-KMP senior executives from across the Group. ESP shares are provided using limited-recourse loans, and prior to FY2017, were granted periodically. The ESP shares are initially restricted and held as security for the ESP loan. The ESP shares vest in one-third tranches at the end of years 3, 4 and 5, and can then be sold (subject to loan repayment). Changes effective for FY2017 are set out earlier in this Report.

The ESP is constructed in such a way that executives receive benefits of any increase in the Company's share price. They also receive any dividend payments left over after payment of interest on the limited-recourse loan, until the loan is repaid. For more detail on the ESP, refer to page 23. The value of the shares held by senior executives under the ESP was reduced in FY2016 by the decline in the Company's share price.

CEO option plan

The CEO option plan ("OP") consists of 4.5 million options granted to Mr. Graham Burke in 2012 and vesting occurs in three tranches on the 1st of March of 2016, 2017 and 2018. Vesting is subject to performance hurdles based on the Compound Annual Growth Rate of both earnings per share and dividends. For more detail on the OP, refer to page 23. 50% of the tranche due to vest on 1 March 2016 vested because the Dividend per Share ("DPS") hurdle was met, and 50% did not vest because the EPS hurdle was not met.

(c) Remuneration of Key Management Personnel

The following tables show the total remuneration for all KMP for FY2016 and FY2015 (including FY2015 remuneration details for individuals who are no longer KMP but were included in the FY2015 Remuneration Report) calculated in accordance with Australian Accounting Standards.

REMUNERATION REPORT (CONTINUED)

for the year ended 30 June 2016

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(c) Remuneration of Key Management Personnel (continued)

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

NAME	POSITION (positions do not necessarily co-incide with employment dates)	YEAR	NOTE	SHORT TERM BENEFITS				POST EMPLOYMENT		LONG TERM BENEFITS		TERMIN- ATION PAYMENT	L.T.I. SHARE- BASED PAYMENT	TOTAL	TOTAL % PERFOR- MANCE RELATED PAY
				Salary & Fees	Cash Bonus S.T.I.	Non- monetary Benefits	Other	Super- annuation	Retirement Benefits	Incentive Plans	Leave Accruals ⁷				
Directors															
Robert G. Kirby	Co-Executive Chairman & Co-CEO KMP since 01/07/2000	2016 %	4, 5	2,640,804 82.75	217,150 6.80	242,669 7.60	6,062 0.19	25,000 0.78	-	-	60,021 1.88	-	-	3,191,706 100.00	6.80%
Graham W. Burke	Co-Executive Chairman & Co-CEO KMP since 09/09/1988	2016 %	2, 5	2,643,835 80.22	217,150 6.59	191,760 5.82	-	25,000 0.76	-	-	63,705 1.93	-	154,236 4.68	3,295,686 100.00	11.27%
	Executive Director Subtotals			5,284,639	434,300	434,429	6,062	50,000	-	-	123,726	-	154,236	6,487,392	
John R. Kirby	Deputy Chairman, Non-executive Director, KMP since 12/08/1988	2016 %		118,721 91.27	-	76 0.06	-	11,279 8.67	-	-	-	-	-	130,076 100.00	-
David J. Evans	Independent Director KMP since 02/01/2007	2016 %		195,305 91.29	-	76 0.04	-	18,554 8.67	-	-	-	-	-	213,935 100.00	-
Peter D. Jonson	Independent Director KMP from 24/01/2001 to 19/11/2015	2016 %	1	60,968 37.91	-	89,447 55.62	4,620 2.87	5,792 3.60	-	-	-	-	-	160,827 100.00	-
Jennifer Fox Gambrell	Independent Director KMP since 19/11/2015	2016 %		85,978 100.00	-	-	-	-	-	-	-	-	-	85,978 100.00	-
Peter M. Harvie	Independent Director, KMP from 07/04/2013 to 03/02/2016	2016 %		54,193 91.32	-	-	-	5,148 8.68	-	-	-	-	-	59,341 100.00	-
Robert Le Tet	Independent Director KMP since 02/04/2007	2016 %	1	-	-	76 0.05	146,127 99.95	-	-	-	-	-	-	146,203 100.00	-
Timothy M. Antonie	Independent Director KMP since 01/12/2010	2016 %		151,727 91.27	-	96 0.06	-	14,414 8.67	-	-	-	-	-	166,237 100.00	-
	Non-Executive Director Subtotals			666,892	-	89,771	150,747	55,187	-	-	-	-	-	962,597	
	Director Subtotals			5,951,531	434,300	524,200	156,809	105,187	-	-	123,726	-	154,236	7,449,989	
Executives															
Julie E. Raffie	Finance Director KMP since 28/09/1992	2016 %	3, 4, 6	735,354 51.13	445,803 30.99	39,005 2.71	8,710 0.61	35,000 2.43	-	-	54,889 3.82	-	119,564 8.31	1,438,325 100.00	39.31%
Simon T. Phillipson	General Counsel KMP since 13/05/1996	2016 %	3, 4, 6	590,802 53.78	361,706 32.93	912 0.08	5,540 0.50	35,000 3.19	-	-	46,973 4.28	-	57,572 5.24	1,098,505 100.00	38.17%
Clark J. Kirby	Chief Operating Officer KMP since 01/12/2010	2016 %	3, 4, 6	624,145 51.34	370,719 30.50	956 0.08	960 0.08	30,000 2.47	-	-	51,587 4.24	-	137,275 11.29	1,215,642 100.00	41.79%
Alistair Bennallack	Chief Financial Officer KMP since 26/10/2015	2016 %	3, 4, 5	338,562 68.66	48,352 9.81	32,892 6.67	2,010 0.41	17,003 3.45	-	-	25,133 5.10	-	29,091 5.90	493,043 100.00	15.71%
	Executive Committee Subtotals			2,288,863	1,226,580	73,765	17,220	117,003	-	-	178,582	-	343,502	4,245,515	
Total for Key Management Personnel for 2016				8,240,394	1,660,880	597,965	174,029	222,190	-	-	302,308	-	497,738	11,695,504	

1. Includes value of shares issued under the Directors' Share Plan.
2. Includes amortised value of share-based payment of options over ordinary shares.
3. Includes amortised value of share-based payment under the Executive Share Plan.
4. Includes other non-monetary benefit for cost of compulsory group salary continuance insurance premiums.
5. Includes CFROI STI bonus accruals for 2016.
6. Includes CFROI STI bonus accruals for 2016 and paid personal performance STI bonus payments for 2015.
7. Includes movement in annual leave and long service leave accruals.

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(c) Remuneration of Key Management Personnel (continued)

Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2015

NAME	POSITION FROM / TO <small>(positions do not necessarily co-incide with employment dates)</small>	YEAR	NOTE	SHORT TERM BENEFITS				POST EMPLOYMENT		LONG TERM BENEFITS		TERMIN- ATION PAYMENT	L.T.I. SHARE- BASED PAYMENT	TOTAL	TOTAL % PERFOR- MANCE RELATED PAY
				Salary & Fees	Cash Bonus S.T.I.	Non- monetary Benefits	Other	Super- annuation	Retirement Benefits	Incentive Plans	Leave Accruals /				
Directors															
Robert G. Kirby	Co-Executive Chairman & Co-CEO since 29/11/2013	2015 %	4, 5	2,566,600 85.50	230,209 7.67	115,440 3.84	7,744 0.26	25,000 0.83	-	-	57,036 1.90	-	-	3,002,029 100.00	7.67%
Graham W. Burke	Co-Executive Chairman & Co-CEO since 29/11/2013	2015 %	2, 5	2,570,473 67.13	230,209 6.01	131,928 3.45	-	25,000 0.65	-	-	60,617 1.58	-	810,948 21.18	3,829,175 100.00	27.19%
	Executive Director Subtotals			5,137,073	460,418	247,368	7,744	50,000	-	-	117,653	-	810,948	6,831,204	
John R. Kirby	Deputy Chairman, Non-executive Director since 01/07/2012	2015 %		118,721 91.21	-	167 0.13	-	11,279 8.66	-	-	-	-	-	130,167 100.00	-
David J. Evans	Independent Director since 02/01/2007	2015 %		193,303 91.30	-	67 0.03	-	18,364 8.67	-	-	-	-	-	211,734 100.00	-
Peter D. Jonson	Independent Director since 24/01/2001	2015 %	1	131,507 71.07	-	54 0.03	18,484 9.99	34,993 18.91	-	-	-	-	-	185,038 100.00	-
D. Barry Reardon	Independent Director from 24/03/1999 to 20/11/2014	2015 %		62,500 71.91	-	24,420 28.09	-	-	-	-	-	-	-	86,920 100.00	-
Peter M. Harvie	Independent Director since 07/04/2013	2015 %		91,324 91.31	-	14 0.01	-	8,676 8.68	-	-	-	-	-	100,014 100.00	-
Robert Le Tet	Independent Director since 02/04/2007	2015 %	1	-	-	99 0.07	139,981 99.93	-	-	-	-	-	-	140,080 100.00	-
Timothy M. Antonie	Independent Director since 01/12/2010	2015 %		146,119 91.29	-	68 0.04	-	13,881 8.67	-	-	-	-	-	160,068 100.00	-
	Non-Executive Director Subtotals			743,474	-	24,889	158,465	87,193	-	-	-	-	-	1,014,021	
	Director Subtotals			5,880,547	460,418	272,257	166,209	137,193	-	-	117,653	-	810,948	7,845,225	
Executives															
Julie E. Raffae	Finance Director since 15/05/2012	2015 %	3, 4, 6	713,905 49.34	441,342 30.51	37,091 2.56	7,362 0.51	35,000 2.42	-	-	44,694 3.09	-	167,369 11.57	1,446,763 100.00	42.07%
Simon T. Phillipson	General Counsel since 13/05/1996	2015 %	3, 4, 6	573,476 54.82	359,480 34.37	7,073 0.68	4,541 0.43	35,000 3.35	-	-	25,145 2.40	-	41,345 3.95	1,046,060 100.00	38.32%
Clark J. Kirby	Chief Operating Officer since 15/05/2012	2015 %	3, 4, 6	615,870 61.81	359,529 36.08	1,064 0.11	800 0.08	30,000 3.01	-	-	[73,095] [7.34]	-	62,297 6.25	996,465 100.00	42.33%
David Kindlen	Chief Information Officer from 01/12/2006 to 23/02/2015	2015 %	3, 4, 8	200,739 60.64	99,800 30.15	1,023 0.31	3,092 0.93	23,333 7.05	-	-	[10,366] [3.13]	-	13,419 4.05	331,040 100.00	34.20%
	Executive Committee Subtotals			2,103,990	1,260,151	46,251	15,795	123,333	-	-	[13,622]	-	284,430	3,820,328	
Total for Key Management Personnel for 2015				7,984,537	1,720,569	318,508	182,004	260,526	-	-	104,031	-	1,095,378	11,665,553	

1. Includes value of shares issued under the Directors' Share Plan.
2. Includes amortised value of share-based payment of options over ordinary shares.
3. Includes amortised value of share-based payment under the Executive Share Plan.
4. Includes other non-monetary benefit for cost of compulsory group salary continuance insurance premiums.
5. Includes CFROI STI bonus accruals for 2015.
6. Includes CFROI STI bonus accruals for 2015 and paid personal performance STI bonus payments for 2014.
7. Includes movement in annual leave and long service leave accruals.
8. Includes personal performance STI bonus payment for 2014.

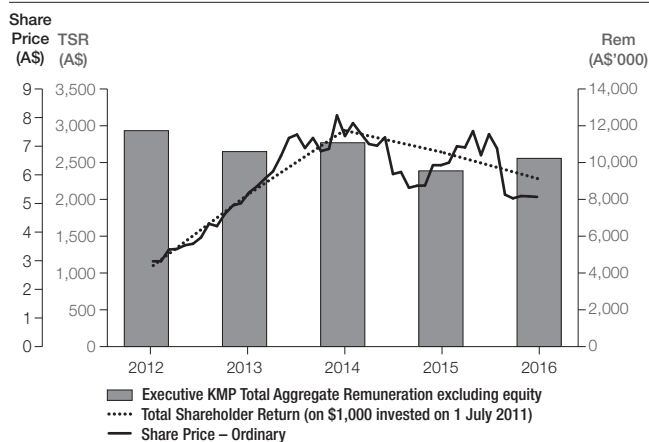
REMUNERATION REPORT (CONTINUED)

for the year ended 30 June 2016

4. REMUNERATION OUTCOMES AND CORPORATE PERFORMANCE (continued)

(d) Five year company performance

Aggregate Executive KMP Remuneration compared to TSR and Share Price

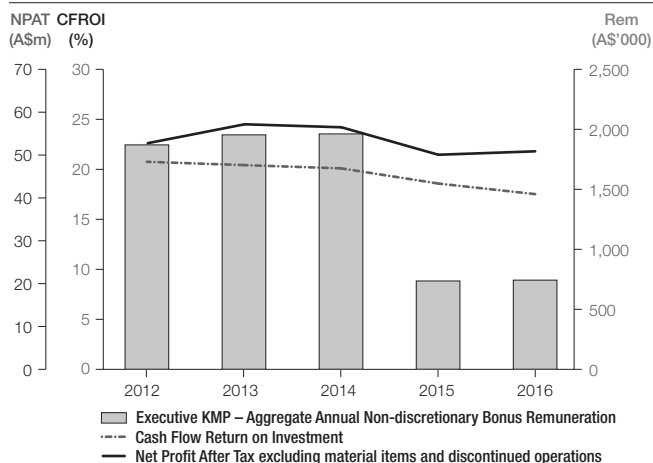


Total Shareholder Return and adjusted Ordinary share price month end closing price history – IRESS

The above chart reflects the Total Shareholder Return ("TSR") of the Company for the current reporting period and in each of the four preceding years, based on the investment of \$1,000 in ordinary shares on 1 July 2011. It also shows the share price movement of the Company's ordinary shares over the five years to 30 June 2016, 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 FY2016 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 improved whilst aggregate remuneration has stabilised and slightly reduced due to the composition of the KMP in prior years.

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



The STI amounts for Executive KMP shown in the above chart represent the STI amounts accrued for the year to which the payment relates. The chart reflects the total aggregate annual STI bonus remuneration of the Executive Directors and Executive Committee Members for the 2016 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.

The chart also shows the Company's Net Profit After Tax ("NPAT") over the relevant five year period, excluding material items and discontinued operations, as reported for the year in relation to which the remuneration was paid. The chart also shows Cash Flow Return on Investment ("CFROI") over the relevant five year period.

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

5. EMPLOYMENT CONTRACTS

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

(a) Executive Directors

The employment contracts of VRL's two Co-Executive Chairmen and Co-Chief Executive Officers, Mr. Robert Kirby and Mr. Graham Burke, set out a CPI adjusted base salary package inclusive of superannuation and car allowance, and an annual capped incentive performance bonus payable on the Company achieving certain financial performance targets. Previously both Mr. Burke and Mr. Kirby could seek a potential loan from the Company of up to \$2 million on terms and conditions to be agreed by the Remuneration Committee of the Company, but this has been removed from 1 July 2016, at which time each their base salary packages were also adjusted downwards by \$968,655 and the STI increased to 100% of base salary subject to revised performance conditions.

Mr. Graham Burke's contract expires on 1 December 2017 and also provides for the granting of four and a half million options over ordinary shares with appropriate exercise hurdles, which options were issued on 29 November 2012. The contract includes a global twelve month non-compete clause, and does not provide for pre-determined compensation in the event of termination.

(b) Executive Committee

Mr. C.J. Kirby, Mr. S.T. Phillipson, Ms. J.E. Raffae and Mr. A.W. Bennallack 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. Raffae and Mr. Bennallack and a car allowance provided to Mr. C.J. Kirby. All Executive Committee Members are also eligible to be paid an annual performance bonus.

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

6. KMP TRANSACTIONS AND HOLDINGS

(a) Ordinary shares held by KMP

2016	Balance at the start of the year	Granted as remuneration ¹	On exercise of options	Net change other	Balance at the end of the year
Directors					
Robert G. Kirby ²	68,563,136	–	–	150,000	68,713,136
Graham W. Burke ²	68,563,136	–	750,000	(600,000)	68,713,136
John R. Kirby ²	68,563,136	–	–	150,000	68,713,136
David J. Evans	111,971	–	–	–	111,971
Peter D. Jonson ³	93,372	659	–	(23,508)	70,523
Peter M. Harvie ⁴	235,950	–	64,350	–	300,300
Robert Le Tet	126,082	24,611	–	–	150,693
Tim Antonie	22,485	–	–	–	22,485
Jennifer Fox Gambrell ⁵	–	–	–	–	–
Executives					
Julie E. Raffe	–	–	–	–	–
Clark J. Kirby	2,500	–	–	(2,500)	–
Simon T. Phillipson	200,000	–	–	–	200,000
Alistair Bennallack ⁶	–	–	–	–	–
2015	Balance at the start of the year	Granted as remuneration¹	On exercise of options	Net change other	Balance at the end of the year
Directors					
Robert G. Kirby ²	68,563,136	–	–	–	68,563,136
Graham W. Burke ²	68,563,136	–	–	–	68,563,136
John R. Kirby ²	68,563,136	–	–	–	68,563,136
David J. Evans	111,971	–	–	–	111,971
Peter D. Jonson	90,483	2,889	–	–	93,372
D. Barry Reardon ⁷	28,552	–	–	–	28,552
Peter M. Harvie	107,250	–	128,700	–	235,950
Robert Le Tet	104,204	21,878	–	–	126,082
Tim Antonie	22,485	–	–	–	22,485
Executives					
Julie E. Raffe	–	–	–	–	–
Clark J. Kirby	2,500	–	–	–	2,500
Simon T. Phillipson	200,000	–	–	–	200,000
David Kindlen ⁸	23,025	–	–	–	23,025

1 Allotments under Directors' Share Plan from Directors Fees.

2 Refer also to the Directors' Report disclosures for relevant interests of Directors, in relation to the 100% ownership of the immediate and ultimate parent entities of VRL.

3 Retired on 19 November 2015 and ceased as KMP

4 Retired on 3 February 2016 and ceased as KMP

5 Appointed as KMP on 19 November 2015

6 Appointed as KMP on 26 October 2015

7 Retired on 20 November 2014 and ceased as KMP

8 Ceased as KMP on 23 February 2015

(b) 'In substance options' held by KMP

2016	Balance at the start of the year	Granted as remuneration	Options Exercised	Net change other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors							
Peter M. Harvie ¹	264,350	–	(64,350)	–	200,000	200,000	–
Executives							
Julie E. Raffe	702,360	–	–	–	702,360	502,360	–
Simon T. Phillipson	300,000	–	–	–	300,000	133,334	–
Clark J. Kirby	600,000	–	–	(100,000)	500,000	100,000	–
Alistair Bennallack ²	150,000	–	–	(16,666)	133,334	–	–
2015	Balance at the start of the year	Granted as remuneration	Options Exercised	Net change other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors							
Peter M. Harvie ¹	393,050	–	(128,700)	–	264,350	264,350	–
Executives							
Julie E. Raffe	702,360	–	–	–	702,360	332,360	–
Simon T. Phillipson	200,000	100,000	–	–	300,000	66,667	–
Clark J. Kirby	300,000	300,000	–	–	600,000	100,000	–
David Kindlen ³	250,000	–	–	–	250,000	183,333	–

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

2 Appointed as KMP on 26 October 2015

3 Ceased as KMP on 23 February 2015

REMUNERATION REPORT (CONTINUED)

for the year ended 30 June 2016

6. KMP TRANSACTIONS AND HOLDINGS (continued)

(c) Options over ordinary shares held by KMP

2016

Name	Balance at start of the year	Granted as remuneration	Options Exercised	Net Change Other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors							
Graham W. Burke	4,500,000	–	(750,000)	(750,000)	3,000,000	–	–

2015

Name	Balance at start of the year	Granted as remuneration	Options Exercised	Net Change Other	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors							
Graham W. Burke	4,500,000	–	–	–	4,500,000	–	–

7. NON-EXECUTIVE DIRECTOR REMUNERATION

(a) Remuneration summary

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

The Constitution of the Company and the ASX Listing Rules specify that the annual aggregate remuneration of Non-Executive Directors shall be determined from time to time by shareholders in general meeting. An amount not exceeding the annual aggregate remuneration so determined is then divided between the Non-Executive Directors as agreed.

The latest determination was at the Annual General Meeting held on 15 November 2012, when shareholders approved an aggregate remuneration level for Non-Executive Directors of \$1,300,000 per annum. This aggregate fee level includes any compensation paid to Non-Executive Directors who may serve on Boards of the consolidated entity. Aggregate payments to Non-Executive Directors have never exceeded the total pool approved by shareholders.

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

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

Board and Committee fees are set by reference to a number of relevant considerations including the responsibilities and risks attaching to the role, the time commitment expected of Non-Executive Directors, fees paid by peer-sized companies and independent advice received from external advisors. The remuneration arrangements of Non-Executive Directors are periodically reviewed by the Remuneration Committee to ensure they remain in line with general industry practice, the last review having taken effect from July 2012.

From July 2012, Non-Executive Directors have been paid at the rate of \$100,000 per annum, payable quarterly in arrears. In addition, Non-Executive Directors receive an additional \$20,000 per annum for each Board Committee on which they serve. The Lead Independent Director and the Deputy Chairman receive an additional \$30,000 per annum and Committee Chairs are paid at a rate of 50% above other Committee members in recognition of the additional workload.

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

(b) Directors' Share Plan

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

The Directors' Share Plan ("DSP"), effective from 1 January 2011 and renewed by shareholders at the 2013 Annual General Meeting 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
P.D. Jonson	8 September 2015	659	\$7.01
R. Le Tet	8 September 2015	4,992	\$7.01
	8 December 2015	5,307	\$6.81
	8 March 2016	7,197	\$5.21
	8 June 2016	7,115	\$5.27

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 2016 was \$240,290 (2015: \$354,456). In addition, Peninsula Cinemas received amounts from external parties on behalf of the VRL group, which were then paid to the VRL group, which in the year ended 30 June 2016 totalled \$222,067 (2015: \$112,149). Other net reimbursement amounts paid by Peninsula Cinemas to the VRL group in relation to operational cinema matters in the year ended 30 June 2016 totalled \$5,558 (2015: \$22,011 paid 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 \$330,540 for the year ended 30 June 2016 (2015: \$318,786). 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 \$31,300 for the year ended 30 June 2016 (2015: \$30,483). The swimwear was purchased on an arm's length basis as merchandise for resale by the Theme Parks division.

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

The VRL group recharged occupancy costs and other net recharges for services provided and received, on an arm's length basis, to a number of entities associated (either individually or collectively) with Messrs. R.G. Kirby, J.R. Kirby and G.W. Burke. The total net amount charged for the various occupancy and other services in the year ended 30 June 2016 was \$149,417 (2015: \$115,471). As at 30 June 2016, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was \$19,405 (2015: \$28,774), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was \$8,112 (2015: \$27,337).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Continuing operations			
Income			
Revenues	2(a)	1,039,865	967,625
Other income	2(b)	33,163	37,896
Expenses excluding finance costs	2(d)	(997,713)	(925,608)
Finance costs	2(e)	(34,655)	(30,381)
Share of net (losses) profits of equity-accounted investments	2(c)	(9,170)	9,454
Profit from continuing operations before income tax expense		31,490	58,986
Income tax expense	4	(14,928)	(18,752)
Profit after tax from continuing operations		16,562	40,234

Discontinued operations

Profit after tax		-	-
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Net profit for the year		16,562	40,234
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Profit (loss) for the year is attributable to:			
Non-controlling interest		899	(3,690)
Owners of the parent		15,663	43,924
		16,562	40,234

Other comprehensive (expense) income

Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	20	(4,594)	2,042
Foreign currency translation	20	(1,291)	899
Other comprehensive (expense) income for the year after tax		(5,885)	2,941

Total comprehensive income for the year		10,677	43,175
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Total comprehensive income (expense) for the year is attributable to:			
Non-controlling interest		899	(3,690)
Owners of the parent		9,778	46,865
		10,677	43,175

Earnings per share (cents per share)

For profit for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic earnings per share	3	9.8 cents	27.5 cents
Diluted earnings per share	3	9.7 cents	27.2 cents

For profit from continuing operations for the year attributable to ordinary equity holders of Village Roadshow Limited:			
Basic earnings per share	3	9.8 cents	27.5 cents
Diluted earnings per share	3	9.7 cents	27.2 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 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6(a)	64,338	95,335
Trade and other receivables	7	158,876	143,970
Inventories	8	24,929	22,713
Current tax assets		6,456	13
Film distribution royalties	10(b)	75,546	67,312
Derivatives	30(e)	1,260	6,526
Other	10(a)	12,131	31,323
Total current assets		343,536	367,192
Non-Current Assets			
Trade and other receivables	7	15,254	15,894
Goodwill and other intangible assets	9	389,024	338,184
Investments – equity-accounted	11	48,305	42,331
Available-for-sale investments		720	1,056
Property, plant & equipment	14	686,819	657,085
Deferred tax assets	4(c)	2,508	1,097
Film distribution royalties	10(b)	69,039	72,638
Other	10(a)	471	839
Total non-current assets		1,212,140	1,129,124
Total assets		1,555,676	1,496,316
LIABILITIES			
Current Liabilities			
Trade and other payables	15	258,697	294,175
Interest bearing loans and borrowings	16	1,115	29,519
Income tax payable		187	366
Provisions	17	40,690	36,876
Derivatives	30(e)	5,532	3,019
Other	18	60,360	48,152
Total current liabilities		366,581	412,107
Non-Current Liabilities			
Trade and other payables	15	47,036	31,622
Interest bearing loans and borrowings	16	597,942	467,972
Deferred tax liabilities	4(c)	40,736	46,789
Provisions	17	8,724	8,572
Derivatives	30(e)	1,076	2,292
Other	18	13,222	1,319
Total non-current liabilities		708,736	558,566
Total liabilities		1,075,317	970,673
Net assets		480,359	525,643
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	19	224,234	220,406
Reserves	20	81,539	102,099
Retained earnings	20	159,564	188,887
Parent interests		465,337	511,392
Non-controlling interest	21	15,022	14,251
Total equity		480,359	525,643

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 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,159,275	1,046,403
Payments to suppliers and employees		(1,036,626)	(887,648)
Dividends and distributions received		7,496	6,480
Interest and other items of similar nature received		3,463	4,186
Finance costs		(28,428)	(28,759)
Income taxes paid		(22,874)	(29,379)
Net cash flows from operating activities	6(b)	82,306	111,283
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant & equipment		(87,086)	(63,005)
Purchases of software & other intangibles		(11,851)	(17,987)
Proceeds from sale of property, plant & equipment		211	669
Purchase of investments/businesses		(59,313)	(16,060)
Proceeds from sale of investments/businesses		1,950	7,194
Government grants received		10,763	-
Loans to (or repaid to) other entities		(22,497)	(4,302)
Loans from (or repaid by) other entities		2,969	1,586
Net cash flows used in investing activities		(164,854)	(91,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		113,400	29,000
Proceeds from issues of shares		2,783	158
Repayment of borrowings/derivatives		(17,804)	(15,961)
Dividends and distributions paid		(44,986)	(68,590)
Net cash flows from (used in) financing activities		53,393	(55,393)
Net decrease in cash and cash equivalents		(29,155)	(36,015)
Cash and cash equivalents at beginning of year		95,335	130,382
Effects of exchange rate changes on cash		(1,842)	968
Cash and cash equivalents at end of the year	6(a)	64,338	95,335
Total cash classified as:			
Continuing operations		64,338	95,335
Total cash and cash equivalents at end of the year		64,338	95,335

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 2016

	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		
Balances at 1 July 2015	220,406	188,887	102,099	511,392	\$'000	\$'000
Profit for the year	-	15,663	-	15,663	899	16,562
Other comprehensive income (net)	-	-	(5,885)	(5,885)	-	(5,885)
Total comprehensive income (expense) for the year	-	15,663	(5,885)	9,778	899	10,677
Share-based payment movements	1,045	-	891	1,936	-	1,936
Issue of shares under Directors' Share Plan from Directors' fees	150	-	-	150	-	150
Controlled entity acquisition reserve (refer Note 32)	-	-	(15,794)	(15,794)	-	(15,794)
Issue of shares from exercise of options	2,633	-	-	2,633	-	2,633
Equity dividends	-	(44,986)	-	(44,986)	-	(44,986)
Other changes in equity	-	-	228	228	(128)	100
At 30 June 2016	224,234	159,564	81,539	465,337	15,022	480,359
Balances at 1 July 2014	219,191	190,504	96,750	506,445	14,865	521,310
Profit for the year	-	43,924	-	43,924	(3,690)	40,234
Other comprehensive income (net)	-	-	2,941	2,941	-	2,941
Total comprehensive income (expense) for the year	-	43,924	2,941	46,865	(3,690)	43,175
Share-based payment movements	1,057	-	1,532	2,589	-	2,589
Issue of shares under Directors' Share Plan from Directors' fees	158	-	-	158	-	158
Equity dividends	-	(44,665)	-	(44,665)	-	(44,665)
Other changes in equity	-	(876)	876	-	3,076	3,076
At 30 June 2015	220,406	188,887	102,099	511,392	14,251	525,643

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 2016 was authorised for issue on 15 September 2016, in accordance with a resolution of the Directors. VRL is a for-profit entity incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The principal activities of the Company and its subsidiaries are described in Note 1(c)(xxix).

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other mandatory professional reporting requirements. The financial report has also been prepared on a historical cost basis, except for derivatives and any available for sale investments that are measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless stated otherwise, under the option available to the Company under ASIC 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.

(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 2015-3: *Amendments to Australian Accounting Standards Arising From the Withdrawal of AASB 1031 Materiality*
- AASB 2015-5: *Amendments to Australian Accounting Standards – Investment Entities – Applying the Consolidation Exception*

Adoption of these amended Accounting Standards did not have any impact on the financial position or performance of the Group.

(iii) A number of standards and interpretations have been issued by the AASB or the International Accounting Standards Board ("IASB"), which are effective for financial years after 30 June 2016. Further details are as follows:

- AASB 9: *Financial Instruments*: AASB 9 [December 2014] 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. The impact of adoption of this standard on the Group's financial results has not yet been assessed.
- AASB 15: *Revenue from Contracts with Customers* and AASB 2016-3: *Amendments to Australian Accounting Standard – Clarifications to AASB 15*: The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application date of these standards is 1 January 2018, and application date for the Group is 1 July 2018. The impact of adoption of these standards on the Group's financial results have not yet been assessed.
- 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. 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 yet been assessed.
- AASB 1057: *Application of Australian Accounting Standards*: The AASB has reissued most of its Standards and Interpretations following editorial changes to more closely align them to Standards issued by the IASB. This standard specifies the types of entities and financial statements to which Australian Accounting Standards apply. Application date of this amendment is 1 January 2016, and

application date for the Group is 1 July 2016. There will be no material impact on the Group as a result of this standard.

- AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*: This is an amendment to AASB 11 and provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. Application date of this amendment is 1 January 2016, and application date for the Group is 1 July 2016. There will be no material impact on the Group as a result of this standard.
- AASB 2014-4: *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*: This is a clarification of the use of revenue based methods to calculate the depreciation of assets and amortisation of intangible assets. Application date of this amendment is 1 January 2016, and application date for the Group is 1 July 2016. There will be no material impact on the Group as a result of this standard.
- AASB 2015-1: *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*: Amendments to AASB 5, AASB 7, AASB 119 and AASB 134 and clarifies a number of issues and disclosure requirements contained within these standards. Application date of this standard is 1 January 2016, and application date for the Group is 1 July 2016. There will be no material impact on the Group as a result of this standard.
- AASB 2015-2: *Amendments to Australian Accounting Standards – Disclosure Initiative*: This is an amendment to AASB 101 and provides clarifications on a number of issues to improve financial statement disclosures. Application date of this standard is 1 January 2016, and application date for the Group is 1 July 2016. This standard has no financial impact on the Group as it relates to disclosures only.
- AASB 2016-1: *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*: This is an amendment to AASB 112 and provides clarification on the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. Application date of this standard is 1 January 2017, and application date for the Group is 1 July 2017. The impact of adoption of this standard on the Group's financial results has not yet been assessed.
- AASB 2016-2: *Amendments to Australian Accounting Standards – Disclosure Initiative*: This is an amendment to AASB 107 and requires disclosures of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Application date of this standard is 1 January 2017, and application date for the Group is 1 July 2017. This standard has no financial impact on the Group as it relates to disclosures only.
- AASB 2016-5: *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*: This is an amendment to AASB 2 and addresses implementation issues encountered by stakeholders for certain types of share-based payment transactions. Application date of this standard is 1 January 2018, and application date for the Group is 1 July 2018. The impact of adoption of this standard on the Group's financial results has not been assessed.

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 2016, have been determined as having no significant impact on the financial results of the Group.

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Village Roadshow Limited and its subsidiaries ("the Group", "VRL group" or "consolidated entity") as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial report, all inter-company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

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

(c) Summary of significant accounting policies (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*, either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

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

(iii) Revenue recognition

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

(a) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(b) Rendering of services

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

(c) Interest income

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

(d) Dividends

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

(e) Unearned income

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

(iv) Borrowing costs

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

(v) Leases

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

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

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

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

(vi) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(vii) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts. Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. Objective evidence takes into account financial difficulties of the debtor, default payments or if there are debts outstanding longer than agreed terms.

(viii) Inventories

Inventories are valued at the lower of cost and net realisable value and are accounted for on a first in first out basis. Net realisable value is the 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.

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

(c) Summary of significant accounting policies (continued)

(ix) Derivative financial instruments and hedging (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. Where a hedge meets the strict criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

(x) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

(a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(c) Available-for-sale investments at fair value

If there is objective evidence that an available-for-sale investment at fair value is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit.

(xi) Foreign currency translation

Both the functional and presentation currency of the Company and the majority of its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to other comprehensive income until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of subsidiaries with functional currencies other than Australian dollars are translated into the presentation currency of the Company at the rate of exchange ruling at the reporting date and their profit or loss items are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(xii) Discontinued operations and assets held for sale

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell if the carrying amount will be recovered principally through a sale transaction. These assets are not depreciated or amortised following classification as 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

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

(c) Summary of significant accounting policies (continued)

(xiii) Investments in associates and joint ventures (continued)

statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture.

Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this in the consolidated statement of changes in equity. Adjustments are made to bring into line any dissimilar reporting dates or accounting policies that may exist.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

(xiv) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its interest in joint operations by recognising its share of the assets that the operations control and the liabilities incurred. The Group also recognises its share of the expenses incurred and the income that the operations earn from the sale of goods or services.

(xv) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred 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 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.

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

(c) Summary of significant accounting policies (continued)

(xvii) Property, plant & equipment (continued)

Impairment (continued)

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

De-recognition and disposal

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

(xviii) Investments and other financial assets

Financial assets in the scope of AASB 139: *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(a) Financial assets at fair value through profit or loss

In accordance with AASB 7: *Financial Instruments: Disclosures*, financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss. It should be noted that even though these assets are classified as held for trading (in accordance with AASB 139 terminology), the Group is not involved in speculative activities and only uses derivatives for risk management purposes.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process. The Group does not currently have held-to-maturity investments.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired.

(d) Available-for-sale investments

Available-for-sale investments are those derivative financial assets that are designated as available-for-sale or not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are either carried at cost less any accumulated impairment losses, or are measured at fair value with gains or losses being recognised in other comprehensive income until the investments are de-recognised or until the investments are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

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 19 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.

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. 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).

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

(c) Summary of significant accounting policies (continued)

(xxvi) Share-based payment transactions (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (refer Note 3).

Shares in the Group relating to the various employee share plans and which are subject to non-recourse loans are deducted from equity. Refer Note 25 for share-based payment disclosures relating to "in substance options".

(xxvii) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the buyback of shares are shown in equity, net of tax, as part of the buyback cost.

(xxviii) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

When there are potential ordinary shares that are dilutive, diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(xxix) Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Discrete financial information about each of these segments is reported to the executive management team on a monthly basis. These operating segments are then aggregated based on similar economic characteristics to form the following reportable segments:

- | | |
|-----------------------|---|
| – Theme Parks | Theme park and water park operations |
| – Cinema Exhibition | Cinema exhibition operations |
| – Film Distribution | Film and DVD distribution operations |
| – Marketing Solutions | Sales promotion and loyalty program operations |
| – Other | Other represents financial information which is not allocated to the reportable segments. |

A geographic region is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those segments operating in other economic

environments. Revenue from geographic locations is attributed to geographic location based on the location of the customers.

The segment revenue that is disclosed to the chief operating decision maker in Note 29 is in accordance with IFRS. Inter-segment revenue applies the same revenue recognition principles as per Note (1)(c)(iii).

(xxx) Financial guarantees

The fair values of financial guarantee contracts as disclosed in Note 28 have been assessed using a probability weighted discounted cash flow approach. In order to estimate the fair value under this approach the following assumptions were made:

- Probability of Default: This represents the likelihood of the guaranteed party defaulting in the remaining guarantee period and is assessed based on historical default rates of companies rated by Standard & Poors. The probability of default used for the years ended 30 June 2016 and 30 June 2015 was 25.8%.
- Recovery Rate: This represents the estimated proportion of the exposure that is expected to be recovered in the event of a default by the guaranteed party and is estimated based on the business of the guaranteed parties. The recovery rate used for the years ended 30 June 2016 and 30 June 2015 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

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

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

(iii) Impairment of film distribution royalties

The Group determines whether film distribution royalties are impaired at least at each reporting date. This requires an estimation of the recoverable amount of the film distribution royalties based on calculations of the discounted cash flows expected to be received in relation to the royalties.

(iv) Income Taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which

the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due (refer to Note 22(a)(iv)). 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.

	2016 \$'000	2015 \$'000
2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS		
(a) Revenue		
Sale of goods	389,582	331,982
Rendering of services	647,702	631,579
Finance revenue	2,572	4,064
Dividends received	9	–
Total revenues	1,039,865	967,625
(b) Other income		
Management fees from -		
Other entities	7,598	7,180
Associates	685	722
Net gains on disposal of investments	620	5,152
Net gains on disposal of property, plant & equipment	–	62
Unearned revenue written back	6,787	5,151
Commissions/fees received	5,545	4,695
Other	11,928	14,934
Total other income	33,163	37,896
(c) Share of net (losses) profits of equity-accounted investments		
Share of net (losses) profits of equity-accounted investments (refer Note 11)	(9,170)	9,454

2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS (continued)

(d) Expenses excluding finance costs

Employee expenses —		
Employee benefits	18,894	17,394
Defined contribution superannuation expense	17,002	16,063
Share-based payment expense	891	1,532
Remuneration and other employee expenses	209,485	198,480
Total employee expenses	246,272	233,469
Cost of goods sold	123,161	91,858
Occupancy expenses —		
Operating lease rental – minimum lease payments	49,187	45,029
Operating lease rental – contingent rental payments	4,344	3,784
Other occupancy expenses	23,198	22,881
Total occupancy expenses	76,729	71,694
Film hire and other film expenses	265,330	242,951
Depreciation of —		
Buildings & improvements	3,100	2,962
Plant, equipment & vehicles	41,036	42,589
Amortisation of —		
Leasehold improvements	12,015	11,875
Deferred expenditure	–	120
Software & other intangibles	15,457	10,667
Total depreciation and amortisation	71,608	68,213
Net loss on disposal of property, plant & equipment	80	–
Net foreign currency (gains) losses	(913)	390
Impairment and other non-cash adjustments ¹ (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	7,132	9,128
Management and services fees paid	3,531	3,268
Insurance expenses	4,122	4,287
Theme park operating expenses	29,277	26,891
Repairs and maintenance	15,290	14,845
Consulting fees	7,638	8,988
Advertising and promotions	106,434	109,456
Regulatory and licensing fees	6,521	5,840
Telecommunications	3,558	3,065
Restructuring costs (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	3,943	3,661
Legal settlement and expenses (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	–	2,706
Other legal expenses	740	1,050
General and administration expenses —		
Provision for doubtful debts	88	180
Bad debts written off	498	157
Other general and administration expenses	26,674	23,511
Total general and administration expenses	27,260	23,848
Total expenses excluding finance costs	997,713	925,608

1 Following a detailed analysis of projects and systems in the Marketing Solutions segment in the year ended 30 June 2016, non-cash adjustments totalling \$4.3m after tax were recognised in relation to work in progress and inventories.

(e) Finance costs

Total finance costs before finance restructuring costs	30,411	30,381
Finance restructuring costs (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	4,244	–
Total finance costs	34,655	30,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

3 EARNINGS PER SHARE

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

	2016	2015
(a) Earnings per share:		
Net profit attributable to ordinary equity holders of VRL		
Basic EPS	9.8 cents	27.5 cents
Diluted EPS	9.7 cents	27.2 cents
Net profit from continuing operations attributable to ordinary equity holders of VRL		
Basic EPS	9.8 cents	27.5 cents
Diluted EPS	9.7 cents	27.2 cents

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

	2016 \$'000	2015 \$'000
Net profit from continuing operations	16,562	40,234
Net (profit) loss attributable to non-controlling interest from continuing operations	(899)	3,690
Net profit attributable to ordinary equity holders of VRL (from continuing operations and in total)	15,663	43,924
	2016 No. of Shares	2015 No. of Shares
Weighted average number of ordinary shares for basic earnings per share	160,558,023	159,518,165
Weighted average number of ordinary shares for diluted earnings per share ¹	162,159,487	161,600,932

1 The issued options were reviewed and determined to represent 1,601,464 potential ordinary shares as at 30 June 2016 (2015: 2,082,767 potential ordinary shares).

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Under Accounting Standard AASB 2: *Share-based Payment*, shares issued under the Company's various share plans are required to be accounted for as options. Shares issued under these plans are referred to as 'in-substance options' and are included in ordinary shares for the purposes of the EPS calculation.

	2016 \$'000	2015 \$'000
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4 INCOME TAX

(a) Major components of income tax expense from continuing operations for the years ended 30 June 2016 and 2015 are:

Statement of Comprehensive Income

Current income tax

Current income tax expense	(23,118)	(21,767)
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Deferred income tax

Relating to origination and reversal of temporary differences	5,060	(2,809)
Deferred tax asset acquired in business combination – refer Note 32	5,183	–
Movements taken up in equity instead of income tax expense	(2,053)	5,824
Income tax expense reported in statement of comprehensive income – continuing operations	(14,928)	(18,752)

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

Net profit before income tax	31,490	58,986
At the statutory income tax rate of 30% (2015: 30%)	(9,447)	(17,696)
Non-assessable income	–	1,289
Non-deductible expenses	(1,189)	(915)
Net losses of overseas subsidiaries not brought to account	–	(3,860)
After-tax equity-accounted (losses) profits included in pre-tax profit	(2,751)	2,836
Deferred tax balances de-recognised (refer material items of income and expense in Reconciliation of Results contained in Directors' Report)	(1,148)	–
Other	(393)	(406)
Total income tax expense – continuing operations – at effective tax rate of 47.4% (2015: 31.8%)	(14,928)	(18,752)

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
4 INCOME TAX (continued)				
(c) Deferred tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Property, plant & equipment	32,202	31,138	(1,064)	402
Film distribution royalties	34,731	35,766	1,035	3,503
Intangible assets	3,552	3,297	(255)	250
Unrealised foreign currency gains	5,309	4,040	(1,269)	(4,040)
Derivatives	378	1,958	1,580	(1,882)
Other	2,078	2,439	361	(1,354)
Net-down with deferred tax assets	(37,514)	(31,849)	-	-
Total deferred income tax liabilities	40,736	46,789		
Deferred tax assets				
Post-employment benefits	9,375	8,936	439	1,274
Property, plant & equipment	13,302	12,588	714	(462)
Sundry creditors & accruals	1,810	1,686	124	(1,243)
Expenses deductible over more than one year	-	772	(772)	(141)
Provisions and unrealised foreign currency losses	3,574	2,242	1,332	(1,071)
Unearned income	4,438	1,211	3,227	29
Balance remaining from business combination in 2016	2,404	-	2,404	-
Capitalised development costs	1,449	1,510	(61)	(62)
Derivatives	1,982	1,593	389	1,006
Other	1,688	2,408	(720)	982
Net-down with deferred tax liabilities	(37,514)	(31,849)	-	-
Total deferred income tax assets	2,508	1,097		
Deferred income tax benefit (expense)			7,464	(2,809)
	2016 \$'000	2015 \$'000		
(d) The following deferred tax assets arising from tax losses have not been brought to account as realisation of those benefits is not probable:				
Benefits for capital losses	6,418	2,483		

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 2016, VRL recognised an increase in current tax liabilities of \$29.4 million (2015: \$31.3 million), and an increase in inter-company receivables of \$29.4 million (2015: \$31.3 million) in relation to tax consolidation contribution amounts.

	2016 \$'000	2015 \$'000
5 DIVIDENDS DECLARED¹		
(a) Declared during the year		
Final dividend on ordinary shares of 14.0 cents per share fully-franked (2015: 14.0 cents per share fully-franked)	22,433	22,331
Interim dividend on ordinary shares of 14.0 cents per share fully-franked (2015: 14.0 cents per share fully-franked)	22,553	22,334
	44,986	44,665
(b) Declared subsequent to year-end²		
Final dividend on ordinary shares of 14.0 cents per share fully-franked (2015: 14.0 cents per share fully-franked)	22,555	22,433
	22,555	22,433

¹ The tax rate at which paid dividends have been franked is 30% (2015: 30%).

² The final dividends for the years ended 30 June 2016 and 30 June 2015, which were declared subsequent to year-end, were not accrued in the 30 June 2016 or 30 June 2015 Financial Statements, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
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6 CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

Cash on hand and at bank	40,839	32,712
Deposits at call	23,499	62,623
Total cash and cash equivalents – continuing operations	64,338	95,335

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

Total cash and cash equivalents – continuing operations	64,338	95,335
Total cash and cash equivalents for the purposes of the statement of cash flows	64,338	95,335

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

Net profit	16,562	40,234
Adjustments for:		
Depreciation	44,136	45,551
Amortisation	27,472	22,662
Impairment and other non-cash adjustments (refer Note 2(d))	7,132	9,128
Provisions	1,862	1,354
Shared-based payment expense	891	1,532
Net gains on disposal of assets	(540)	(5,214)
Unrealised foreign currency (gains) losses	(354)	671
Difference between equity-accounted results and cash dividends/interest received	17,499	(2,974)
Changes in assets and liabilities:		
Increase – trade and other receivables	(11,302)	(39,192)
(Decrease) increase – trade and other payables	(37,446)	64,712
Increase – net current tax assets	(2,220)	(8,219)
Increase – unearned income	13,288	9,589
Increase (decrease) – other payables and provisions	2,373	(4,634)
Increase – inventories	(2,554)	(4,908)
Decrease – capitalised borrowing costs	1,966	1,347
Decrease – deferred and other income tax liabilities	(5,209)	(1,876)
Decrease (increase) – prepayments and other assets	13,385	(9,425)
Increase – film distribution royalties	(4,635)	(9,055)
Net operating cash flows	82,306	111,283

(c) Financing facilities available

At reporting date, the following financing facilities were available:

Total facilities	813,834	670,688
Facilities used at reporting date	603,834	502,188
Facilities unused at reporting date	210,000	168,500

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 \$195.0 million.

7 TRADE AND OTHER RECEIVABLES

Current:

Trade and other receivables	164,064	149,400
Provision for impairment loss (a)	(5,188)	(5,430)
	158,876	143,970

Non-current:

Trade and other receivables	15,254	15,894
Due from associates	24,188	10,805
Provision for impairment loss (b)	(24,188)	(10,805)
	–	–
	15,254	15,894

2016	2015
\$'000	\$'000

7 TRADE AND OTHER RECEIVABLES (continued)

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

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

0 to 3 months	171,449	156,599
> 3 months ¹	2,681	3,265
0 to 3 months – CI*	339	211
3 to 6 months – CI*	26	–
> 6 months – CI*	4,823	5,219
Total trade and other receivables before provisions	179,318	165,294

* Considered Impaired ("CI")

¹ Includes receivables past due but not considered impaired of \$2,043,000 in 2016 in greater than 3 months (2015: \$265,000).

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)).

Movements in the provision for impairment loss were as follows:

Carrying amount at beginning	5,430	5,289
Charge for the year	534	257
Foreign exchange translation	14	5
Amounts written off for the year	(790)	(121)
Carrying amount at end	5,188	5,430

(b) Due from associates and provision for impairment loss

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

0 to 3 months – CI*	24,188	10,805
Total due from associates before provisions	24,188	10,805

* Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2015: Nil).

Movements in the provision for impairment loss were as follows:

Carrying amount at beginning	10,805	10,805
Increase for the year	24,188	–
Decrease for the year	(10,805)	–
Carrying amount at end	24,188	10,805

8 INVENTORIES

Current:

Merchandise held for resale – at cost	27,927	25,744
Provision for stock loss	(2,998)	(3,031)
	24,929	22,713

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 2016

	Film Distribution Rights \$'000	Goodwill \$'000	Brand Names ¹ \$'000	Software & Other \$'000	Total \$'000
At 1 July 2015					
Cost	34,213	265,497	31,680	89,892	421,282
Accumulated amortisation and impairment	(34,144)	(7,804)	(600)	(40,550)	(83,098)
Net carrying amount	69	257,693	31,080	49,342	338,184
Year ended 30 June 2016					
At 1 July 2015, net of accumulated amortisation and impairment	69	257,693	31,080	49,342	338,184
Additions/transfers	(69)	–	–	14,560	14,491
Net foreign currency movements arising from investments in foreign operations	–	(7,324)	–	(148)	(7,472)
Acquisitions – refer Note 32	–	58,487	–	1,047	59,534
Impairment	–	–	–	(256)	(256)
Amortisation – refer Note 2(d)	–	–	–	(15,457)	(15,457)
Net carrying amount	–	308,856	31,080	49,088	389,024
At 30 June 2016					
Cost	–	316,660	31,680	104,213	452,553
Accumulated amortisation and impairment	–	(7,804)	(600)	(55,125)	(63,529)
Net carrying amount	–	308,856	31,080	49,088	389,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

9 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

FOR THE YEAR ENDED 30 JUNE 2015

	Film Distribution Rights \$'000	Goodwill \$'000	Brand Names ¹ \$'000	Software & Other \$'000	Total \$'000
At 1 July 2014					
Cost	34,213	256,099	31,680	74,555	396,547
Accumulated amortisation and impairment	(34,132)	(7,804)	(600)	(34,777)	(77,313)
Net carrying amount	81	248,295	31,080	39,778	319,234
Year ended 30 June 2015					
At 1 July 2014, net of accumulated amortisation and impairment	81	248,295	31,080	39,778	319,234
Additions/transfers	–	–	–	19,970	19,970
Net foreign currency movements arising from investments in foreign operations	–	–	–	79	79
Acquisitions	–	9,398	–	170	9,568
Amortisation – refer Note 2(d)	(12)	–	–	(10,655)	(10,667)
Net carrying amount	69	257,693	31,080	49,342	338,184
At 30 June 2015					
Cost	34,213	265,497	31,680	89,892	421,282
Accumulated amortisation and impairment	(34,144)	(7,804)	(600)	(40,550)	(83,098)
Net carrying amount	69	257,693	31,080	49,342	338,184

Note:

1 In 2016 and 2015, all of the brand names relate to the Village Roadshow Theme Parks group.

(a) Impairment testing of goodwill and brand names

Goodwill and indefinite life intangible assets are tested at least annually for impairment based upon the recoverable amount of the appropriate cash generating units ("CGU's") to which the goodwill and indefinite life intangibles have been allocated. Details of the Group's main goodwill and indefinite life intangible assets are provided below.

Goodwill assessed on the basis of fair value less costs of disposal:

The recoverable amount of the material balances of the Group's goodwill 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 rate applied to the cash flow projections was in the range of 10.6% to 12.9% (2015: 10.4% to 13.3%). 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 up to 3% (2015: range of up to 3%). The growth rate does not exceed the long-term average growth rate for the businesses in which the CGU's operate. Goodwill allocated to cash generating units and for impairment testing included material groupings and 2016 balances as follows:

- Village Roadshow Theme Parks group – \$137.1 million (2015: \$137.1 million) (re: Australian Theme Park interests)
- Roadshow Distributors Pty. Ltd. group – \$57.1 million (2015: \$57.1 million) (re: Film Distribution interests)
- Village Cinemas Australia Pty. Ltd. group – \$47.2 million (2015: \$41.2 million) (re: Australian Cinemas Exhibition interests)
- Village Roadshow Digital Pty. Ltd. group – \$22.3 million (2015: \$22.3 million) (re: Australian Marketing Solutions interest)
- Edge UK Holdings Ltd. group – \$45.2 million (2015: Nil) (re: UK Marketing Solutions interest)

Impairment losses recognised:

Impairment losses for Software and Other of \$0.3 million were recognised in the year ended 30 June 2016 relating to the Other segment. There were no other impairment losses recognised for Goodwill and Other Intangibles in the year ended 30 June 2016 (2015: Nil).

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 (2016: \$31.1 million, 2015: \$31.1 million). Refer above for further details relating to cash flows, growth and discount rates.

Sensitivity to changes in assumptions:

With regard to the assessment of the recoverable amount of intangible assets, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying values to exceed recoverable amounts.

2016	2015
\$'000	\$'000

10 OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES

(a) Other Assets

Current:

Prepayments	6,990	7,531
Work in progress	2,107	21,266
Other assets	3,034	2,526
	12,131	31,323

Non-current:

Security deposits	205	97
Other assets	266	742
	471	839

(b) Film Distribution Royalties

Opening balance	139,950	130,895
Additions	89,697	67,327
Foreign currency movements	(859)	6,233
Film hire and other film expenses	(84,203)	(64,505)
	144,585	139,950
Current film distribution royalties	75,546	67,312
Non-current film distribution royalties	69,039	72,638
	144,585	139,950

11 INVESTMENTS – EQUITY-ACCOUNTED

Non-current:

Investments – equity-accounted	48,305	42,331
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(a) Detailed information: Dartina Development Limited (“Dartina”):

(i) Nature of Relationship and Ownership Percentage:

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

(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 2016, the VRL group received \$7.5 million (2015: \$6.5 million) in dividends from Dartina.

2016	2015
\$'000	\$'000

(iv) Summarised Financial Information (at 100%):

Current assets	43,272	40,810
Non-current assets	64,940	64,651
Current liabilities	53,217	51,381
Non-current liabilities	11,797	20,829
Equity	43,198	33,251
Carrying value of investment	21,002	16,028
Total income	154,196	139,092
Operating profit after tax – continuing operations	23,357	16,377
Total operating profit after tax	23,357	16,377
Other Comprehensive Income	1,389	3,431
Total Comprehensive Income	24,746	19,808
Equity-accounted share of Dartina's profit after tax	11,678	8,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

11 INVESTMENTS – EQUITY-ACCOUNTED (continued)

(b) Detailed information: Village Roadshow Entertainment Group Limited (“VREG”):

(i) Nature of Relationship and Ownership Percentage:

The VRL group is the largest shareholder in VREG, with 50.17% (2015: 47.12%) of the ordinary shares of VREG. VREG is classified as an associate for accounting purposes.

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

Therefore, the investment in VREG is equity-accounted, and as a result of the significant negative net asset position of VREG, the carrying value of the net investment has been written down to nil due to the recognition of accumulated losses, so that the VRL group has no carrying value for accounting purposes. It is noted that VREG’s film rights are recorded in its accounts (in non-current assets) at amortised cost, as required under IFRS, which is significantly less than the market value of these film rights.

As advised to the Australian Securities Exchange on 15 September 2015, VREG has completed new corporate debt facilities totalling USD 325 million, refinancing its existing corporate debt facility and providing additional working capital. Part of the USD 325 million VREG corporate debt refinancing is subordinated debt financing of USD 25 million, repayable by September 2021. The VRL group contributed USD 15 million of the subordinated debt, which is earning cash interest of 6% p.a., as well as non-cash interest of 9.5% p.a. payable upon repayment of the debt, plus an entitlement to further non-voting shares.

As a result of VREG’s significant negative net asset position, this additional net investment by the VRL group has been immediately written off due to equity accounting requirements, resulting in an equity-accounted loss after tax of A\$20.0 million in the year ended 30 June 2016 (included in material items of income and expense in the Reconciliation of Results contained in the Directors’ Report).

As part of the VREG refinancing, the VRL group’s existing non-voting redeemable equity shares in VREG have been modified, now accruing a 14% non-cash dividend, with redemption by March 2022. The non-voting redeemable equity is subordinated to VREG’s securitised film financing, corporate debt and subordinated debt. 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 2016, cash interest of A\$0.8 million was received from VREG and included in equity-accounted results (2015: Nil), and no cash dividends were received in either the current or previous corresponding periods.

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

VREG was incorporated in the British Virgin Islands, and its principal place of business is Road Town, Tortola, British Virgin Islands.

(iii) Dividends Received:

In the year ended 30 June 2016, the VRL group did not receive any dividends from VREG (2015: Nil).

	2016 \$'000	2015 \$'000
(iv) Summarised Financial Information (at 100%):		
Current assets	106,794	102,158
Non-current assets	311,705	403,207
Current liabilities	179,290	687,134
Non-current liabilities	1,391,761	727,639
Equity	(1,152,552)	(909,408)
Carrying value of investment	–	–
Total income	277,054	473,004
Operating loss after tax (excluding gain on sale in 2015)	(216,091)	(209,655)
Gain on sale	–	278,223
Operating (loss) profit after tax – continuing operations	(216,091)	68,568
Operating profit after tax – discontinued operations	–	–
Total operating (loss) profit after tax	(216,091)	68,568
Other Comprehensive Income (Expense)	1,397	(51)
Total Comprehensive (Expense) Income	(214,694)	68,517
Equity-accounted share of VREG’s loss after tax	(19,204)	–
Cumulative unrecognised share of VREG’s losses after income tax due to discontinuation of equity method	(487,114)	(371,994)

The summarised financial information shown above is based on the unaudited management accounts of VREG, as the audited accounts are not yet available.

As at 30 June 2016, the VRL group’s non-voting redeemable equity shares, along with VREG’s mezzanine debt, and balances due on the film finance facility are included in VREG’s non-current liabilities (2015: non-voting redeemable equity shares and mezzanine debt were included in current liabilities and balances due on the film finance facility were included in non-current liabilities). All VREG debt is non-recourse to the VRL group.

The gain on sale in 2015 shown above represents a gain on sale during the year ended 30 June 2015 of a further one-third interest in future cash flows relating to 74 films, with proceeds used to reduce VREG’s debt.

11 INVESTMENTS – EQUITY-ACCOUNTED (continued)

(c) Detailed information: FilmNation Entertainment LLC ("FilmNation"):

(i) Nature of Relationship and Ownership Percentage:

As advised to the Australian Securities Exchange on 17 December 2014, the VRL group's Film Distribution division acquired a 31.03% interest in FilmNation effective from 1 January 2015, which resulted in a total of USD 18.0 million of equity being contributed to FilmNation in tranches largely during calendar 2015. 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 2016, the VRL group did not receive any dividends from FilmNation (2015: Nil).

	2016 \$'000	2015 \$'000
(iv) Summarised Financial Information (at 100%):		
Current assets	106,800	90,651
Non-current assets	9,606	5,502
Current liabilities	9,921	68,161
Non-current liabilities	72,930	–
Equity	33,555	27,992
Carrying value of investment	27,297	25,994
Total income	17,251	8,689
Operating profit after tax – continuing operations	3,619	3,286
Operating profit after tax – discontinued operations	–	–
Total operating profit after tax	3,619	3,286
Other Comprehensive Income	–	–
Total Comprehensive Income	3,619	3,286
Equity-accounted share of FilmNation's profit after tax	1,123	1,020

The summarised financial information shown above for 2016 is based on the unaudited management accounts of FilmNation, as the audited accounts for FilmNation are prepared as at 31 December each year. The summarised financial information for 2015 is based on unaudited management accounts from the date of acquisition to the period ended 30 June 2015.

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

(i) Nature of Relationship and Ownership Percentage:

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

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

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

(iii) Dividends Received:

In the year ended 30 June 2016, the VRL group did not receive any dividends from IGCE (2015: Nil).

	2016 \$'000	2015 \$'000
(iv) Summarised Financial Information (at 100%):		
Current assets	20,928	14,620
Non-current assets	183,224	123,229
Current liabilities	109,137	67,982
Non-current liabilities	193,874	129,188
Equity	(98,859)	(59,321)
Carrying value of investment	–	–
Total income	149,093	108,423
Operating loss after tax – continuing operations	(38,331)	(25,551)
Operating profit after tax – discontinued operations	–	–
Total operating loss after tax	(38,331)	(25,551)
Other Comprehensive Income	–	–
Total Comprehensive Expense	(38,331)	(25,551)
Equity-accounted share of IGCE's loss after tax	(2,451)	–
Cumulative unrecognised share of IGCE's losses after income tax due to discontinuation of equity method	(23,056)	(14,008)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

11 INVESTMENTS – EQUITY-ACCOUNTED (continued)

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

(iv) Summarised Financial Information (at 100%): (continued)

The VRL group contributed USD 1.8 million to IGCE in the year ended 30 June 2016. As a result of IGCE’s negative net asset position, these additional net investment amounts have been immediately written off due to equity accounting requirements, resulting in an equity-accounted loss after tax of A\$2.5 million (included in material items of income and expense in the attached Reconciliation of Results contained in the Directors Report).

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

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

	2016 \$’000	2015 \$’000
(i) Aggregated financial information – other equity-accounted investments:		
Carrying value of investment	6	309
Share of operating (loss) profit after tax	(316)	246
Share of other Comprehensive Income	–	–
Share of Total Comprehensive (Expense) Income	(316)	246

(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 2016 %	INTEREST HELD 2015 %
Australian Theatres	Multiplex cinema operator	50.00%	50.00%
Browns Plains Multiplex Cinemas	Multiplex cinema operator	50.00%	33.33%
Carlton Nova/Palace	Cinema operator	25.00%	25.00%
Castle Towers Multiplex Cinemas	Multiplex cinema operator	50.00%	33.33%
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%
Village/GUO/BCC Cinemas	Cinema operator	50.00%	50.00%
Village/Sali Cinemas Bendigo	Cinema operator	50.00%	50.00%
Village Warrnambool Cinemas	Cinema operator	50.00%	50.00%
Werribee Cinemas	Cinema operator	50.00%	50.00%

There were no impairment losses in the joint operations.

13 SUBSIDIARIES

NAME	COUNTRY OF INCORPORATION ¹	% OWNED 2016	% OWNED 2015
Countrywide Property Investments (UK) Limited ³	United Kingdom	80.00%	–
DEG Holdings Pty. Limited	Australia	100.00%	100.00%
Edge Loyalty Systems Pty. Limited	Australia	100.00%	100.00%
Edge Loyalty UK Limited ³	United Kingdom	80.00%	–
Edge UK Holdings Limited ³	United Kingdom	100.00%	–
Entertainment of The Future Pty. Limited	Australia	100.00%	100.00%
Film Services (Australia) Pty. Limited ²	Australia	–	100.00%
Harvest Family Entertainment Arizona LLC	United States	100.00%	100.00%
In10metro Pty. Limited ²	Australia	–	100.00%
Movie World Holdings Joint Venture	Australia	100.00%	100.00%
MyFun Pty. Limited	Australia	100.00%	100.00%
Opia International (UK) Limited ³	United Kingdom	80.00%	–
Opia Limited ³	United Kingdom	80.00%	–
Opia LP ³	United States	80.00%	–
Opia Russia Limited ³	Russia	80.00%	–
Opia US Inc. ³	United States	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 (previously called Roadshow Live Pty. Limited)	Australia	100.00%	100.00%
Roadshow Television Pty. Limited	Australia	100.00%	100.00%
Roadshow Unit Trust	Australia	100.00%	100.00%
Sea World Helicopters Pty. Limited	Australia	100.00%	100.00%

13 SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION ¹	% OWNED 2016	% OWNED 2015
Sea World Management Pty. Limited	Australia	100.00%	100.00%
Sea World Property Trust	Australia	100.00%	100.00%
Silver Handles Pty. Limited ²	Australia	–	100.00%
Sincled Investments Pty. Limited	Australia	100.00%	100.00%
Summit Digital Limited ³	United Kingdom	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%
VILLEICO Pty. Limited (previously called Village Leisure Company Pty. Limited) ²	Australia	–	100.00%
Village Online Investments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow (Fiji) Limited	Fiji	100.00%	100.00%
Village Roadshow (Hungary) Distribution KFT ²	Hungary	–	100.00%
Village Roadshow Attractions USA Inc.	United States	100.00%	100.00%
Village Roadshow Australian Films Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Digital Pty. Limited	Australia	100.00%	100.00%
Village Roadshow East Coast Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Exhibition Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Group Services Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Hainan Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Holdings Hong Kong Limited	Hong Kong	100.00%	100.00%
Village Roadshow Holdings Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Hungary ZRT ²	Hungary	–	100.00%
Village Roadshow Intensity Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Investments Holdings USA Inc.	United States	100.00%	100.00%
Village Roadshow IP Pty. Limited	Australia	100.00%	100.00%
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%
VRPWW Pty. Limited (previously called Village Roadshow Pictures Worldwide Pty. Limited) ²	Australia	–	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 (previously called Village Roadshow Theme Parks Operations (Hainan International Tourism Island Pilot Zone) Co. Limited)	China	100.00%	100.00%
Village Roadshow Theme Parks Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Theme Parks USA Inc.	United States	100.00%	100.00%
Village Roadshow Treasury Pty. Limited	Australia	100.00%	100.00%
Village Roadshow UK Holdings Pty. Limited	Australia	100.00%	100.00%
Village Roadshow USA Holdings Pty. Limited	Australia	100.00%	100.00%
Village Theatres 3 Limited	United Kingdom	100.00%	100.00%
Village Theatres Morwell Pty. Limited	Australia	75.00%	75.00%
VR Corporate Services Pty. Limited	Australia	100.00%	100.00%
VR ESP Finance Pty. Limited	Australia	100.00%	100.00%
VR Leisure Holdings Pty. Limited	Australia	100.00%	100.00%
VRPPL Pty. Limited	Australia	100.00%	100.00%
VRS Holdings Pty. Limited	Australia	100.00%	100.00%
VRTP Entertainment Pty. Limited	Australia	100.00%	100.00%
VRTP Services Pty. Limited	Australia	100.00%	100.00%
WB Properties Australia Pty. Limited	Australia	100.00%	100.00%
Wet'n Wild Sydney Pty. Limited	Australia	100.00%	100.00%
WSW Aviation Pty. Limited ²	Australia	–	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 placed into liquidation or deregistration lodged during the current or prior year.

³ Entity purchased or incorporated during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
14 PROPERTY, PLANT & EQUIPMENT		
Land:		
At cost	34,534	34,418
Buildings & improvements:		
At cost	112,410	93,962
Less depreciation and impairment	(33,014)	(29,969)
	79,396	63,993
Capital work in progress:		
At cost less impairment	25,318	24,912
Leasehold improvements:		
At cost	325,701	303,010
Less amortisation and impairment	(123,391)	(109,112)
	202,310	193,898
Plant, equipment & vehicles (owned):		
At cost	712,879	672,011
Less depreciation and impairment	(367,618)	(332,147)
	345,261	339,864
	686,819	657,085

(a) Reconciliations

Land:		
Carrying amount at beginning	34,418	33,795
Net foreign currency movements arising from investments in foreign operations	116	623
Carrying amount at end	34,534	34,418
Buildings & improvements:		
Carrying amount at beginning	63,993	60,360
Additions/transfers	18,040	4,162
Net foreign currency movements arising from investments in foreign operations	467	2,433
Disposals	(4)	–
Depreciation expense	(3,100)	(2,962)
Carrying amount at end	79,396	63,993
Capital work in progress:		
Carrying amount at beginning	24,912	10,738
Additions	14,320	21,849
Net foreign currency movements arising from investments in foreign operations	34	–
Impairment ¹	(312)	–
Transfers	(13,636)	(7,675)
Carrying amount at end	25,318	24,912
Leasehold improvements:		
Carrying amount at beginning	193,898	188,127
Additions/transfers	20,190	17,656
Acquisitions	260	–
Net foreign currency movements arising from investments in foreign operations	1	(1)
Disposals	(24)	(9)
Amortisation expense	(12,015)	(11,875)
Carrying amount at end	202,310	193,898
Plant, equipment & vehicles (owned):		
Carrying amount at beginning	339,864	363,873
Additions/transfers	45,602	24,016
Acquisitions	603	–
Impairment ¹	(145)	(9,128)
Net foreign currency movements arising from investments in foreign operations	636	4,290
Disposals	(263)	(598)
Depreciation expense	(41,036)	(42,589)
Carrying amount at end	345,261	339,864

1 Impairment losses for property, plant & equipment of \$0.5 million were recognised in the year ended 30 June 2016 relating to the Cinema Exhibition segment. In the year ended 30 June 2015, impairment losses of \$9.1 million were recognised for continuing operations, of which \$8.3 million related to the Theme Parks segment, and \$0.8 million related to the Cinema Exhibition segment. For the relevant 2015 Theme Parks assessment, the pre-tax discount range used was 9.9% to 11.5%, and the recoverable amounts were based on fair value less costs of disposal. Cash flows beyond five years were extrapolated using a terminal growth rate of 2.5%, and the latest updated forecasts were used in the impairment review, which were lower than the forecasts included in the latest five year plan due to the relevant underlying financial performance being lower than expected. Under the fair value hierarchy, level 3 inputs were used, and the impairment losses have been disclosed in Note 2(d) for 2015.

2016	2015
\$'000	\$'000

15 TRADE AND OTHER PAYABLES

Current:

Trade and sundry payables	258,697	294,175
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Non-current:

Trade and sundry payables	46,648	30,918
Owing to other	388	704
	47,036	31,622

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

16 INTEREST BEARING LOANS AND BORROWINGS

Current:

Secured borrowings	1,115	29,519
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Non-current:

Secured borrowings	597,942	467,972
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Terms and conditions relating to the above financial instruments:

In December 2015, the VRL group restructured its main Divisional and Corporate finance facilities into a new consolidated VRL group finance facility, which resulted in an increased facility limit of \$800 million, up from \$650 million at the time of the restructure, which has been drawn to \$590 million as at 30 June 2016.

The new VRL group finance facility is fully revolving, with no scheduled or conditional amortisation payments, and comprises two tranches of \$480 million and \$320 million which expire in December 2019 and December 2020, respectively.

The new 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.

2016	2015
\$'000	\$'000

17 PROVISIONS

Current:

Employee benefits	31,531	28,668
Make good provision	–	19
Other	9,159	8,189
	40,690	36,876

Non-current:

Employee benefits	972	2,634
Make good provision	4,376	3,711
Other	3,376	2,227
	8,724	8,572

Employee benefit liabilities:

Provision for employee benefits -		
Current	31,531	28,668
Non-current	972	2,634
Aggregate employee benefit liabilities	32,503	31,302

(a) Reconciliations

Make good provision:

Carrying amount at the beginning of the financial year	3,730	7,654
Amounts added during the year	756	–
Amounts utilised or written back during the year	(182)	(4,142)
Discount adjustment	72	218
Carrying amount at the end of the financial year	4,376	3,730

Other provisions:

Carrying amount at the beginning of the financial year	10,416	12,488
Increase in provision	2,445	–
Amounts acquired during the year	57	–
Amounts utilised or written back during the year	(383)	(2,178)
Discount adjustment	–	106
Carrying amount at the end of the financial year	12,535	10,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

17 PROVISIONS (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. In the year ended 30 June 2015, following a re-assessment of likely make good requirements in the Theme Parks division, surplus provision amounts were reversed.

Other provisions

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

	2016 \$'000	2015 \$'000
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18 OTHER LIABILITIES

Current:

Unearned revenue	60,360	48,152
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Non-current:

Unearned revenue	13,222	1,319
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19 CONTRIBUTED EQUITY

Issued and fully paid up capital:

Ordinary shares	241,100	237,580
Employee share loans deducted from equity ¹	(16,866)	(17,174)
	224,234	220,406

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.

Ordinary Shares:

During the 2016 and 2015 years, movements in fully paid ordinary shares on issue were as follows:

	CONSIDERATION		NO. OF SHARES	
	2016 \$'000	2015 \$'000	2016 Thousands	2015 Thousands
Beginning of the financial year	237,580	232,830	160,229	159,504
Allotment – September 2014 at \$7.45 – Directors' Share Plan	–	39	–	5
Allotment – December 2014 at \$6.96 – Directors' Share Plan	–	39	–	6
Allotment – March 2015 at \$5.40 – Directors' Share Plan	–	40	–	7
Allotment – June 2015 at \$6.17 – Directors' Share Plan	–	40	–	7
Allotment – June 2015 at \$6.56 – Executive Share Plan	–	4,592	–	700
Allotment – September 2015 at \$7.01 – Directors' Share Plan	40	–	6	–
Allotment – October 2015 at \$7.37 – Executive Share Plan	737	–	100	–
Allotment – December 2015 at \$6.81 – Directors' Share Plan	36	–	5	–
Share issue on exercise of options – March 2016 at \$3.51	2,633	–	750	–
Allotment – March 2016 at \$5.21 – Directors' Share Plan	37	–	7	–
Allotment – June 2016 at \$5.27 – Directors' Share Plan	37	–	7	–
End of the financial year	241,100	237,580	161,104	160,229

Issued Options:

In accordance with a special resolution of the Company's shareholders on 15 November 2012, 4,500,000 options over ordinary shares were allotted to Mr. Graham W. Burke, the Chief Executive Officer, with 1,500,000 options being exercisable at an exercise price of \$3.76 per share not earlier than 1 March 2016; 1,500,000 options being exercisable at an exercise price of \$3.76 per share not earlier than 1 March 2017; and 1,500,000 options being exercisable at an exercise price of \$3.76 per share not earlier than 1 March 2018. Following the \$0.25 reduction of share capital approved by shareholders at the Annual General Meeting in November 2013, the exercise price of these options was reduced to \$3.51 per share, effective from 31 December 2013. All the options are subject to performance hurdles as outlined in Note 25 and are exercisable no later than 1 March 2019 or 12 months following cessation of Mr. Burke's employment with the Company, whichever is the earlier. In September 2015, 750,000 first tranche options 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. The names of all persons who currently hold options are entered in the register kept by the Company, which may be inspected free of charge.

As at 30 June 2016, the details of outstanding options over ordinary shares were as follows:

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

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

19 CONTRIBUTED EQUITY (continued)

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 and use gearing ratios as a tool to undertake this (net debt/total capital). The gearing ratios at 30 June 2016 and 2015 were as follows:

	2016 \$'000	2015 \$'000
Total borrowings	599,057	497,491
Less cash and cash equivalents	(64,338)	(95,335)
Net debt	534,719	402,156
Total equity	480,359	525,643
Total capital	1,015,078	927,799
Gearing ratio	53%	43%

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

	2016 \$'000	2015 \$'000
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20 RESERVES AND RETAINED EARNINGS

Foreign currency translation reserve:

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

Balance at beginning of year	(2,509)	(4,284)
Amount relating to translation of accounts & net investments before tax effect	(1,375)	5,848
Other changes in equity	–	876
Tax effect of relevant movements for year	84	(4,949)
Balance at end of year	(3,800)	(2,509)

Cash flow hedge reserve:

This reserve records the portion of the gain or loss on hedging instruments that are classified as cash flow hedges, and which are determined to be effective hedges.

Balance at beginning of year	851	(1,191)
Movement on effective hedging instruments during the year before tax effect	(6,563)	2,917
Tax effect of movement on effective hedging instruments during the year	1,969	(875)
Balance at end of year	(3,743)	851

Asset revaluation reserve:

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

Balance at beginning of year	91,474	91,474
Balance at end of year	91,474	91,474

Employee equity benefits reserve:

This reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration (refer Note 25).

Balance at beginning of year	11,939	10,407
Share-based payment movements	891	1,532
Balance at end of year	12,830	11,939

Controlled entity acquisition reserve:

This reserve represents the incremental amount for the put and call options over the remaining 20% non-controlling interest in Opia (refer Note 32).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

	2016 \$'000	2015 \$'000
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20 RESERVES AND RETAINED EARNINGS (continued)

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	81,539	102,099
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Retained earnings:

Balance at the beginning of year	188,887	190,504
Net profit attributable to members of VRL	15,663	43,924
Total available for appropriation	204,550	234,428
Other changes in equity	–	(876)
Dividends and distributions provided or paid	(44,986)	(44,665)
Balance at end of year	159,564	188,887

21 NON-CONTROLLING INTEREST

Non-controlling interest in subsidiaries:

Contributed equity/other	17,880	17,289
Retained earnings	(2,858)	(3,038)
	15,022	14,251

22 CONTINGENCIES

(a) Contingent liabilities

Best estimate of amounts relating to:

(i) Bank guarantees for commitments of subsidiaries	–	106
(ii) Joint and several obligations for operating lease commitments of partners in joint operations ¹	10,033	38,358
(iii) Corporate guarantees for commitments of subsidiaries	132	132
	10,165	38,596

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

(iv) Other contingent liabilities – Income Tax:

As disclosed in Note 22(a)(iv) in the 30 June 2015 financial report, the VRL group anticipates that tax audits may occur from time to time in Australia, and the VRL group is subject to routine tax audits in certain overseas jurisdictions.

Also as disclosed in the 30 June 2015 financial report, and as updated in the 31 December 2015 half-year financial report, the Australian Taxation Office ("ATO") carried out a Client Risk Review in relation to the VRL Tax Consolidated Group, covering the financial years from 2012 to 2014. In mid February 2016, the ATO advised that the Client Risk Review would be closed, but they also advised that it was likely that a Tax Audit would be conducted by the ATO in future, limited to particular matters.

In July 2016, the ATO advised that, following the Client Risk Review, a Tax Audit was to be carried out in relation to the VRL Tax Consolidated group, covering the financial years from 2012 to 2015. Initial information requested is in the process of being provided to the ATO, and will continue to be provided during these early stages of the Tax Audit. The ATO has advised they expect to be able to complete this Tax Audit by around August 2017, based on similar Tax Audits and subject to any particular issues that may arise.

VRL does not currently believe that any material impact will result from the Tax Audit.

(v) Belfast Rent Dispute:

As disclosed in Note 22(a)(v) in the 30 June 2015 financial report, Village Theatres 3 Limited ("VT3"), a wholly-owned subsidiary in the VRL group, is continuing to take action against its landlord seeking damages. The landlord is also seeking payment of unpaid rent, which has been fully accrued in VT3's accounts as at 30 June 2016.

(vi) Guarantee issued in relation to Associate:

As disclosed in Note 22(a)(vi) in the 30 June 2015 financial report, VRL has procured a bank guarantee to support the financing of an associated entity, VR iPic Finance LLC ("VRIF"), in which the VRL group has a 42.86% (3/7th) interest. VRIF has obtained debt financing to contribute funds to iPic-Gold Class Entertainment LLC ("IGCE"), which is also an associated entity of VRL. Another shareholder of IGCE is also providing guarantee support to VRIF.

As disclosed in the 31 December 2015 half-year financial report, VRL's guarantee exposure in relation to VRIF has increased to the maximum amount of USD 24.2 million.

(b) Contingent assets

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

	2016 \$'000	2015 \$'000
(i) Right of recourse in relation to joint and several obligations for operating lease commitments of partners in joint operations ¹	10,033	38,358

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

23 COMMITMENTS

(a) Operating leases

The Group has entered into commercial leases for cinemas, offices and other operational location sites. The lease commitments schedule below includes cinema and office leases with terms of up to 15 years, however it does not include terms of renewal. In general, cinema and office leases do not include purchase options although on rare occasions there may be a purchase option. Renewals are at the option of the specific entity that holds that lease. In addition, the leases include the Crown leases entered into by Sea World Property Trust, which have a remaining term of 41 years, and the Wet'n'Wild Sydney ground lease, which has a remaining term of 47 years.

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

	2016 \$'000	2015 \$'000
(i) Operating leases – Minimum lease payments:		
Payable within 1 year	47,370	43,279
Payable between 1 and 5 years	151,393	152,053
Payable after 5 years	244,659	234,782
	443,422	430,114
(ii) Operating leases – Percentage based lease payments:¹		
Payable within 1 year	5,914	5,186
Payable between 1 and 5 years	20,667	17,348
Payable after 5 years	28,328	19,209
	54,909	41,743
Total operating lease commitments	498,331	471,857

¹ Accounting standard AASB 117: *Leases* applies to the rental commitments of the Group. The Group is required to pay percentage rent on certain operating leases. Percentage rent is payable as either Incentive Rent or Revenue Share. Incentive Rent occurs when the operating lease creates a liability to pay the lessor a percentage of the Gross Receipts when a cinema site's earnings exceed the Base Rent. Gross receipts are generally made up of box office takings, concession sales and screen advertising, but may also include revenue from licence fees, arcade games and the sale of promotional material. It is not possible for the Group to reliably determine the amount of percentage rent that will be payable under each of the operating leases, as such, percentage rent is expensed as incurred, rather than being included in the operating rent expense recognised on a straight-line basis over the life of the lease.

	2016 \$'000	2015 \$'000
(b) Other expenditure commitments		
Estimated capital and other expenditure contracted for at reporting date but not provided for:	33,625	17,117

24 KEY MANAGEMENT PERSONNEL DISCLOSURES

Detailed remuneration disclosures of the Key Management Personnel ("KMP") of the Company and Group are set out in the Remuneration Report section of the Directors' Report.

(a) Compensation of Key Management Personnel by Category

The compensation, by category, of the Key Management Personnel is set out below:

	CONSOLIDATED		VILLAGE ROADSHOW LIMITED	
	2016 \$	2015 \$	2016 \$	2015 \$
Short-Term	10,673,268	10,205,618	10,673,268	10,205,618
Post-Employment	222,190	260,526	222,190	260,526
Other Long-Term	302,308	104,031	302,308	104,031
Sub-totals	11,197,766	10,570,175	11,197,766	10,570,175
Share-based Payment	497,738	1,095,378	497,738	1,095,378
Totals	11,695,504	11,665,553	11,695,504	11,665,553

(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 2016 was \$240,290 (2015: \$354,456). In addition, Peninsula Cinemas received amounts from external parties on behalf of the VRL group, which were then paid to the VRL group, which in the year ended 30 June 2016 totalled \$222,067 (2015: \$112,149). Other net reimbursement amounts paid by Peninsula Cinemas to the VRL group in relation to operational cinema matters in the year ended 30 June 2016 totalled \$5,558 (2015: \$22,011 paid 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 \$330,540 for the year ended 30 June 2016 (2015: \$318,786). 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 \$31,300 for the year ended 30 June 2016 (2015: \$30,483). The swimwear was purchased on an arm's length basis as merchandise for resale by the Theme Parks division.

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

The VRL group recharged occupancy costs and other net recharges for services provided and received, on an arm's length basis, to a number of entities associated (either individually or collectively) with Messrs. R.G. Kirby, J.R. Kirby and G.W. Burke. The total net amount charged for the various occupancy and other services in the year ended 30 June 2016 was \$149,417 (2015: \$115,471).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

24 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

As at 30 June 2016, the total amount owing by the related parties detailed above, and included in current assets of the VRL group, was \$19,405 (2015: \$28,774), and the total amount owing by the VRL group to the related parties detailed above, and included in current liabilities, was \$8,112 (2015: \$27,337).

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 2016 both the ESP and 2012 OP remain in operation.

In addition the Group had a loan arrangement over a 1993 legacy equity-linked performance plan in which Mr. P.M. Harvie was the sole remaining participant, where dividends were used to repay the interest accrued with any surplus dividend payment used to repay the capital amount of the loan. All grants to Mr. Harvie under this legacy plan were in his capacity as an executive of the consolidated entity and were prior to him becoming part of KMP of the Company. Loans over 64,350 shares were repaid from dividends during the 2016 year (2015: 128,700 shares) and the plan was closed.

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 will be subject to meeting total shareholder return performance hurdles, further aligning the interest of KMP 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 entity'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. All grants to Mr P.M. Harvie were in his capacity as an executive of the consolidated entity and were prior to him becoming a Director of the Company.

Offers are at the discretion of the Directors and shares are issued at the 5-day weighted average price on the market prior to allotment, rounded up to the next whole cent. The shares are held directly by the employee who pays for the allotment by obtaining a loan from the consolidated entity which holds the ESP shares as security.

The ESP was amended in 2012. Shares issued prior to 2012 are earned and become exercisable at the rate of 20% per year over five years from date of issue. The loan bears interest at ten cents per share per annum, and ten cents of dividends per share each year is used to repay the interest accrued and 50% of the remaining dividend per share is used to repay the capital amount of the loan. For shares issued in 2012 and thereafter, one third vest at the end of years 3, 4 and 5 from the date of issue, the loan bears interest at twenty cents per share per annum, and the first twenty cents of dividends per share per year is used to repay the interest charged, and 50% of the remaining dividend per share is used to repay the capital amount of the loan. For shares issued in 2012 or thereafter, where the loan balance owing falls below \$2.00 per share, the interest rate becomes 10% of the balance owing on the loan.

The ESP was further amended with effect from 1 July 2016 with the loan bearing interest at the rate of 25 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 November 2010, 350,000 ordinary shares were allotted under the ESP. The fair value of each 'in substance option' was estimated on the date of grant using the binomial option-pricing model with the following assumptions:

- Value per loan per share: \$2.35;
- Expected volatility: 35% based on historical volatility;
- Risk-free interest rate: 5.36% - the risk-free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The resulting fair value per option for those 'in substance options' was \$0.62.

The grant has been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$3,615 for the 2016 financial year (2015: \$13,198).

25 SHARE-BASED PAYMENT PLANS (continued)

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

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

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 \$200,837 for the 2016 financial year (2015: \$349,855).

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 \$111,773 for the 2016 financial year (2015: \$157,920).

On 29 November 2012, 300,000 ordinary shares were allotted under the ESP to Ms. J.E. Raffae. The fair value of each 'in substance option' was estimated on the date of the grant using the binomial option pricing model with the following assumptions:

- Value per loan per share: \$3.78;
- Expected volatility: 35% – based on historical volatility;
- Risk-free interest rate: 3.07% – based on the 8 year Australian Government bond yield; and
- Expected life of options: 8 years.

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

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$61,859 for the 2016 financial year (2015: \$82,250).

For the June 2012 allotment, the ESP shares were granted at \$3.14 to all executives other than Ms. Raffae, 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. Raffae 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. Raffae 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 \$54,090 for the 2016 financial year (2015: \$71,920).

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 \$90,841 for the 2016 financial year (2015: \$116,978).

On 29 June 2015, 700,000 ordinary shares were allotted under the ESP. The fair value of each 'in substance option' was estimated on the date of the grant using the binomial option pricing model with the following assumptions:

- Value per loan per share: \$6.56;
- Expected volatility: 30% – based on historical volatility;
- Risk-free interest rate: 2.72% – based on the 8 year Australian Government bond yield; and
- Expected life of options: 8 years.

The resulting fair values per option for those 'in substance options' was \$1.30.

These grants have been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$237,611 for the 2016 financial year (2015: \$1,302).

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 \$30,345 for the 2016 financial year (2015: Nil).

The expected volatility of all ESP allotments reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. Under AASB 2: *Share-based Payment*, any allotments under the ESP are also referred to as 'in substance options' even though the equity instrument itself is not an option.

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

On 15 November 2012, the Company's shareholders approved the 2012 OP, granting 4.5 million options over ordinary shares to the Company's CEO, Mr. G.W. Burke. The options were issued on 29 November 2012 being exercisable at \$3.76 per share, with vesting subject to performance hurdles relating to growth in earnings per share and growth in dividends. Following the \$0.25 reduction of share capital approved by shareholders at the Annual General Meeting on 29 November 2013, the exercise price of the options was reduced to \$3.51 per share, effective from 31 December 2013.

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

One and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2016; one and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2017; and one and a half million options are exercisable subject to certain performance conditions not earlier than 1 March 2018. One and a half million options were eligible to vest during 2016 (2015: Nil).

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

For all options to vest, the Company's performance must meet a minimum 8% Compound Annual Growth Rate ("CAGR") in EPS over the 3 year vesting period for half of each tranche to vest, and must meet a minimum 8% CAGR in dividends paid over 2 out of the 4 year vesting period for the other half of each tranche to vest. For half of the options to vest, the Company's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

25 SHARE-BASED PAYMENT PLANS (continued)

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

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

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

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

Number of Options able to Vest if:	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 prior to December 2017, including by way of redundancy, all option terms continue as if Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met. If Mr. Burke voluntarily terminates his employment with the Company including by way of resignation or retirement, all options terms continue for 12 months as if Mr. Burke's employment had not ceased and on that date all remaining vested and unvested options shall lapse. If Mr. Burke dies or involuntarily

terminates his employment with the Company including by way of early retirement due to ill health, permanent disablement or mental incapacity, the Company retains the right to allow all option terms to continue as if Mr. Burke's employment had not ceased and all options will continue to vest subject to the growth hurdles being met.

750,000 first tranche options have lapsed as a result of the 4% EPS CAGR hurdle not being achieved and 750,000 first tranche options vested and were exercised as the DPS CAGR hurdle was met.

The terms of the grant of the options provide that should the Board determine that Mr. Burke has entered into a hedging transaction or other transaction having the effect of limiting or eliminating the economic risk associated with the options as a result of the DPS and EPS growth vesting hurdles to which they are subject, the options will expire.

The fair value of each option has been estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions:

- Expected volatility: 35%;
- Expected yield: 6%;
- Risk-free interest rate: 2.75%; and
- Expected life of options: 3, 4 and 5 years ended 1 March 2016, 2017 and 2018 with expiry at 1 March 2019.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The resulting fair values per option for Mr. Burke were \$0.73, \$0.74 and \$0.75 for Tranches 1, 2 and 3 respectively.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$154,236 for the 2016 financial year (2015: \$810,948).

(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 2016 (2015: allotment on 29 June 2015 of 300,000 and 100,000 ordinary shares to Messrs. C.J. Kirby and S.T. Phillipson, respectively).

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 & 'In Substance Options' during the year

	2016 Number	2016 WAEP – \$	2015 Number	2015 WAEP – \$
Outstanding at beginning of year	9,991,710	3.59	9,530,410	3.47
Granted during the year	100,000	7.37	700,000	6.56
Forfeited/lapsed during the year	(775,000)	3.50	(25,000)	3.29
Exercised during the year	(1,012,683)	3.21	(213,700)	1.07
Expired during the year	–	–	–	–
Outstanding at the end of the year	8,304,027	3.66	9,991,710	3.59
Exercisable at the end of the year	3,167,361	3.13	2,358,377	3.04

(v) The outstanding balance as at 30 June 2016 is represented by:

Executive Share Plan and Loan Facility: 5,304,027 'in substance options' over ordinary shares in the Company with issue prices ranging from \$2.35 to \$7.37.

Option Plan for CEO: 3,000,000 options over ordinary shares in the Company exercisable at \$3.51 each with an expiry date of 1 March 2019.

	2016 \$	2015 \$
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26 REMUNERATION OF AUDITORS

The auditor of VRL is Ernst & Young (Australia). Aggregate remuneration received or due and receivable by Ernst & Young, directly or indirectly from the VRL group, in connection with –

Ernst & Young (Australia) –

An audit or review of the financial report of VRL and any other entity in the VRL group	1,351,500	1,363,000
Other services in relation to VRL and any other entity in the VRL group:		
Tax	230,344	263,080
Advisory/Corporate Finance	307,347	397,153
Assurance related	88,105	31,365
	1,977,296	2,054,598

2016	2015
\$	\$

26 REMUNERATION OF AUDITORS (continued)

Auditors other than Ernst & Young (Australia) —

An audit or review of the financial report of any other entity in the VRL group	198,060	28,501
Other services in relation to any entity in the VRL group:		
Tax	98,030	115,676
Advisory/Corporate Finance	321,663	27,800
Assurance related	9,095	–
	626,848	171,977
	2,604,144	2,226,575

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.

Subsequent to 30 June 2016, the VRL group has provided additional Subordinated Debt funding to an associated entity, iPic-Gold Class Entertainment LLC ("IGCE"), which may be converted into equity. The funding that has been provided subsequent to 30 June 2016, plus further amounts that will be provided prior to 30 September 2016, total USD 14.3 million.

In addition, further funding of USD 5.0 million has been provided to another associated entity, Village Roadshow Entertainment Group Limited ("VREG"), subsequent to 30 June 2016.

Due to equity accounting requirements, as both IGCE and VREG have negative net assets, these further net investment amounts will be immediately expensed, and these losses will be disclosed as Material Items in the VRL group's results for the half-year ending 31 December 2016 and the year ending 30 June 2017.

VILLAGE ROADSHOW LIMITED

2016	2015
\$'000	\$'000

28 PARENT ENTITY DISCLOSURES

(a) Summary financial information

Current assets	6,708	1,118
Total assets	435,042	388,564
Current liabilities	10,665	11,255
Total liabilities	126,754	12,523
Issued capital	224,234	220,406
Retained earnings	72,227	144,699
Employee equity benefit reserve	11,827	10,936
Total shareholders' equity	308,288	376,041
(Loss) profit after tax	(27,485)	111,560
Total comprehensive (expense) income	(27,485)	111,560

(b) Financial guarantees

Financial guarantees ¹	397	477
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(c) Franking credit balance

Amount of franking credits available as at year-end	3,816	1,178
Franking credit movements from refund of VRL's current tax amounts recorded at year-end	(4,783)	(12)
Franking debits that will arise after year-end, in relation to dividends paid or declared (as at the date of this report)	(9,666)	(9,614)
Amount of franking credits (deficit) available after adjusting for the above impacts	(10,633)	(8,448)

(d) Contingent liabilities

(i) Bank guarantees for commitments of subsidiaries	1,530	1,049
(ii) Several corporate guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	38,415	46,888
(b) Guarantees for joint operations	116	13,142
(iii) Other corporate guarantee commitments		
(a) Guarantees in respect of subsidiaries' commitments	4,900	4
	44,961	61,083

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).

For the year ended 30 June 2016

The VRL group has added a new operating segment following the acquisition of the Opia business. The Marketing Solutions operating segment comprises the Edge and Opia businesses as this reflects the fact that the businesses have similar economic characteristics, provide similar services and share common customer types, and their combined operating results are separately reviewed by the Chief Operating Decision Maker and are considered to be one segment. In addition, Asia Development Costs have now been included in the Theme Parks segment [previously included in Other]. Comparative figures have been adjusted accordingly.

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

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		
	2016 \$'000	2015 \$'000
Financial assets: Cash and cash equivalents	64,338	95,335
Financial liabilities: Secured and unsecured borrowings	339,057	234,991
Net exposure	274,719	139,656

The Group enters into interest rate swap and collar agreements ("interest rate derivatives") that are used to convert the variable interest rates attached to various of its specific facilities into fixed interest rates, or to limit interest rate exposure. The interest rate derivatives are entered into with the objective of ensuring that earnings are not subject to wide fluctuations caused by fluctuating interest commitments and ensuring compliance with loan covenants. Interest rate risk will not generally be hedged unless the underlying debt facility draw down exceeds A\$20 million. For any debt exceeding this level, which is outstanding for more than three months from the original drawdown date, interest rate exposure will generally be hedged for a minimum of 50% of the outstanding debt balance for a minimum of 12 months or until termination of the loan, whichever is sooner.

At reporting date, various entities within the Group had entered into interest rate derivatives covering debts totalling \$260.0 million (2015: \$262.5 million). These interest rate derivatives covered approximately 43% (2015: 53%) of total borrowings of the Group as at reporting date. The majority (by value) of the interest rate derivatives mature in the 2018 financial year (2015: financial years 2016 to 2018), and 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 2016 and 30 June 2015, 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)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Sensitivity analysis				
CONSOLIDATED				
If interest rates were 100 basis points higher with all other variables held constant	(3,778)	(2,850)	1,929	3,728
If interest rates were 100 basis points lower with all other variables held constant	3,778	2,850	(1,258)	(3,849)

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

Foreign currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

Foreign currency risk (continued)

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

It is the Group's policy to negotiate the terms of the foreign currency derivatives to match the terms of the underlying foreign currency exposures as closely as possible, to maximise the effectiveness of the derivatives. As at 30 June 2016 and 30 June 2015, 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 2016 and 30 June 2015, 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)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Sensitivity analysis				
CONSOLIDATED				
If foreign exchange rates were 10 per cent higher with all other variables held constant	-	-	(4,645)	(4,345)
If foreign exchange rates were 10 per cent lower with all other variables held constant	-	-	5,677	5,310

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 2016, 0.2% (2015: 6%) of the Group's debt will mature in less than one year.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

Liquidity risk (continued)

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 2016. 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 2016.

	1 YEAR OR LESS		OVER 1 YEAR TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(i) Financial assets								
Cash	64,338	95,335	–	–	–	–	64,338	95,335
Receivables and other advances	158,876	143,970	15,254	15,894	–	–	174,130	159,864
Derivatives	77,978	73,277	308	6,817	–	–	78,286	80,094
Security deposits	–	–	205	97	–	–	205	97
Total financial assets	301,192	312,582	15,767	22,808	–	–	316,959	335,390
(ii) Financial liabilities								
Trade and other payables	258,697	294,175	47,036	31,622	–	–	305,733	325,797
Secured and unsecured borrowings	27,429	43,197	686,539	538,624	–	–	713,968	581,821
Derivatives	71,321	69,393	11,762	9,110	–	–	83,083	78,503
Total financial liabilities	357,447	406,765	745,337	579,356	–	–	1,102,784	986,121
Net maturity	(56,255)	(94,183)	(729,570)	(556,548)	–	–	(785,825)	(650,731)

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 \$210.0 million as at 30 June 2016 (2015: \$168.5 million), and \$195.0 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 \$0.1 million of finance leases (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Recognised Financial Instruments (continued)

(ii) Financial liabilities (continued)

Interest rate swaps:

At reporting date, the Group had a number of interest rate swap agreements in place. Such agreements are being used to hedge the cash flow interest rate risk of various debt obligations with a floating interest rate.

Interest rate collars:

At reporting date, the Group had no remaining interest rate collar (floor and cap) agreements in place. These derivatives were being used to assist in hedging the cash flow interest rate risk of various debt obligations with a floating interest rate.

The interest rate swaps have the same critical terms as the underlying debt obligations. The interest rate collars have been based on the underlying debt obligations, and closely matched the terms of those obligations.

(iii) Equity

Ordinary shares:

From 1 July 1998, ordinary share capital has been increased based on the proceeds received from shares issued (less direct share issue costs), and decreased based on the buy-back cost (including direct buy-back costs). Prior to that date, ordinary share capital was recognised at the par value of the amount paid up, and any excess between the par value and the issue price was recorded in the share premium reserve. Details of shares issued and the terms and conditions of options outstanding over ordinary shares at reporting date are set out in Note 19.

(d) Fair values

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

	TOTAL CARRYING AMOUNT AS PER CONSOLIDATED STATEMENT OF FINANCIAL POSITION		AGGREGATE NET FAIR VALUE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
CONSOLIDATED				
Financial assets:				
Cash	64,338	95,335	64,338	95,335
Trade and other receivables	174,130	159,864	174,130	159,864
Available for sale investments	720	1,056	720	1,056
Derivatives	1,260	6,526	1,260	6,526
Security deposits	205	97	205	97
Total financial assets	240,653	262,878	240,653	262,878
Financial liabilities:				
Trade and other payables	305,733	325,797	305,733	325,797
Secured and unsecured borrowings	599,057	497,491	590,644	487,976
Derivatives	6,608	5,311	6,608	5,311
Total financial liabilities	911,398	828,599	902,985	819,084

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

Cash, cash equivalents and short-term deposits:

The carrying amount approximates fair value because of short-term maturity.

Receivables and accounts payable – current:

The carrying amount approximates fair value because of short-term maturity.

Receivables – non-current:

The fair values of non-current receivables are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of arrangements.

Borrowings – current:

The carrying amount approximates fair value because of short-term maturity.

Borrowings – non-current:

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

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

Level 1: Fair value is calculated using quoted prices in active markets.

Level 2: Fair value is estimated using inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The fair value of the financial instruments as well as methods used to estimate the fair value are summarised in the table below.

Level 3: Fair value is estimated using inputs for the asset or liability that are not based on observable market data.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Fair values (continued)

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

	2016			2015		
	Valuation technique- market observable inputs (Level 2) \$'000	Valuation technique- non market observable inputs (Level 3) \$'000	Total \$'000	Valuation technique- market observable inputs (Level 2) \$'000	Valuation technique- non market observable inputs (Level 3) \$'000	Total \$'000
Financial assets:						
Derivatives	1,260	–	1,260	6,526	–	6,526
Total	1,260	–	1,260	6,526	–	6,526
Financial liabilities:						
Secured and unsecured borrowings	590,644	–	590,644	487,976	–	487,976
Payables and accruals	–	15,830	15,830	–	–	–
Derivatives	6,608	–	6,608	5,311	–	5,311
Total	597,252	15,830	613,082	493,287	–	493,287

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

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

The fair value of payables and accruals is determined using expected future financial performance based on terms of the sale contract and the knowledge of the business (refer Note 32). As a result, payables and accruals have been classified based on non observable market inputs as Level 3.

(e) Derivative financial instruments

	2016 \$'000	2015 \$'000
Current assets:		
Forward currency contracts – cash flow hedges	1,260	6,526
	1,260	6,526
Current liabilities:		
Interest rate swap contracts – cash flow hedges	3,513	3,007
Forward currency contracts – cash flow hedges	2,019	12
	5,532	3,019
Non-current liabilities:		
Interest rate swap contracts – cash flow hedges	356	2,292
Forward currency contracts – cash flow hedges	720	–
	1,076	2,292

Instruments used by the Group

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps and collars (floors and caps) to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Refer Note 1(c)(ix).

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.

(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 2016 and 30 June 2015:

	NOTIONAL AMOUNTS AUD		AVERAGE EXCHANGE RATE	
	2016 \$'000	2015 \$'000	2016	2015
Consolidated:				
USD hedges	509	5,130	0.7339	0.8277
GBP hedges	(615)	1,006	0.5231	0.5256
CAD hedges	4	27	0.9768	0.9809
NZD hedges	(96)	329	1.0818	1.0614
EUR hedges	(1,281)	21	0.6170	0.6833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2016

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Derivative financial instruments (continued)

(ii) Interest rate swaps – cash flow hedges

In order to protect against rising interest rates, the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. At reporting date, the principal amounts and period of expiry of the interest rate swap contracts were as follows:

	2016 \$'000	2015 \$'000
0-1 years	(3,513)	(3,007)
1-2 years	(356)	–
2-3 years	–	(2,292)
	(3,869)	(5,299)

The Group's interest rate swaps generally require settlement of net interest receivable or payable, and the settlement dates generally coincide with the dates on which interest is payable on the underlying debt. The swaps are measured at fair value and, in respect of derivatives which are classified as effective, all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit or loss when the interest expense is recognised.

31 NON-KEY MANAGEMENT PERSONNEL RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the financial year and were conducted on normal commercial terms and conditions unless otherwise stated:

(a) Immediate Parent Entity

The Company's immediate parent entity is Village Roadshow Corporation Pty. Limited which is incorporated in Australia. The Company's ultimate parent entity is Positive Investments Pty. Limited which is incorporated in Australia. Refer also to the Directors' Report disclosures for relevant interests of Directors in relation to the 100% ownership of the immediate and ultimate parent entities by Messrs. R.G. Kirby, J.R. Kirby & G.W. Burke.

(b) Associated Entities:

Revenues and expenses

The following transactions with associated entities were included in the determination of the operating profit before tax for the year:

	2016 \$'000	2015 \$'000
Management & service fee revenue – associates	685	722
Management & service fee revenue – other associated entities	178	143
Film hire and other film expenses (paid by the VRL group to entities in the Village Roadshow Entertainment Group Limited group)	19,183	31,210
Film hire and other film expenses (paid by the VRL group to FilmNation Entertainment LLC)	3,451	9,247

Receivables and payables

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

32 BUSINESS COMBINATIONS – ACQUISITION OF OPIA

Effective from 18 December 2015, the VRL group acquired 80% of Countrywide Property Investments (UK) Limited and its subsidiaries ("Opia"). Opia is a sales promotion consultancy business that creates brand sales promotion campaigns, and was acquired as part of the VRL group's expansion of its Marketing Solutions Division, which now comprises Edge Loyalty Systems Pty. Ltd. ("Edge") and Opia.

The VRL group has elected to measure the 20% non-controlling interest ("NCI") in Opia on the basis of the NCI's proportionate share of Opia's identifiable net assets at acquisition date.

The fair values of the identifiable assets and liabilities of Opia as at the date of acquisition were:

	RECOGNISED ON ACQUISITION
	2016 \$'000
Cash and cash equivalents	12,428
Deferred tax asset	5,183
Other assets	8,521
Total Assets	26,132
Payables & accruals	(18,501)
Other liabilities	(805)
Total Liabilities	(19,306)
Fair value of identifiable net assets	6,826
Goodwill arising on acquisition	52,536
	59,362
Non-controlling interest on acquisition (20% of identifiable net assets acquired)	(2,601)
	56,761
Cost of combination:	
Cash paid	(50,257)
Estimated additional amount payable to vendor for net assets acquired	(5,669)
Contingent consideration payable	(835)
	(56,761)
The net outflow on acquisition to 30 June 2016 is as follows:	
Cash paid	(50,257)
Net cash acquired	12,428
Net cash outflow	(37,829)
Controlled Entity Acquisition Reserve	15,794

The goodwill recognised of \$52.5 million is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Opia with the VRL group's existing Edge business, which are now shown separately as the Marketing Solutions operating segment. All of the cost base of the goodwill is expected to be deductible for income tax purposes on a future disposal of Opia.

The negative Controlled Entity Acquisition Reserve of \$15.8 million represents the relevant incremental amount for the put and call options over the remaining 20% NCI in Opia in which the option holders, at their election, can require the VRL group to buy their interests, or the VRL group can elect to purchase the interests at a purchase price in accordance with the terms of the agreements.

The estimated liability in relation to the put and call options has been calculated at fair value and changes in the fair value of the liability from period to period are charged or credited to the Controlled Entity Acquisition Reserve in equity. At each balance sheet date, the calculated NCI is transferred to liabilities and combined with this uplift amount in accordance with AASB 10: *Consolidated Financial Statements*.

From the date of acquisition, Opia has contributed \$20.1 million of revenue and \$3.0 million of net profit after tax to the Group (before deducting non-controlling interest amounts). If the acquisition had taken place at the beginning of the financial period, the VRL group's revenue for the year ended to 30 June 2016 is estimated to have been \$1,056.8 million and the attributable net profit is estimated to have been \$19.1 million.

Transaction costs of \$1.3 million paid or accrued are included in expenses excluding finance costs (included with Restructuring Costs in material items of income and expense in the Reconciliation of Results, which forms part of the Directors' Report).

The estimated contingent consideration payable of \$0.8 million has been based on future financial performance of the business over the two financial years to 31 March 2017, and has been based on current forecasts of the future earnings amounts on which the relevant calculations will be based. Whilst these amounts are variable, it is not currently expected that the actual payments will differ materially from the estimated amounts shown above (which have been discounted as required to take account of the timing of the expected payments).

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 2016 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 2016.

On behalf of the Board

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

G.W. Burke
Director

Melbourne, 15 September 2016

INDEPENDENT AUDITOR'S REPORT



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

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VILLAGE ROADSHOW LIMITED

Report on the financial report

We have audited the accompanying financial report of Village Roadshow Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Village Roadshow Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Village Roadshow Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

David Shewring
Partner

Melbourne
15 September 2016

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 19 September 2016 and the number of ordinary shares held:

Name	Ordinary Shares	% of Total
Village Roadshow Corporation Pty Limited	68,363,136	42.66
Vijay Vijendra Sethu	9,948,235	6.24
Westpac Banking Corporation	8,039,266	5.04
BT Investment Management Limited	8,039,266	5.04

Distribution of Security Holders as at 19 September 2016

Category of Holding	Number of Holders	%	Number of Shares	%
1 – 1,000	2,800	45.25	1,555,234	0.96
1,001 – 5,000	2,455	39.67	6,127,164	3.79
5,001 – 10,000	537	8.68	4,049,431	2.51
10,001 – 100,000	335	5.41	9,028,295	5.59
100,001 and over	61	0.99	140,817,102	87.15
Total	6,188	100.00	161,577,226	100.00

Number of holdings less than marketable parcel (109 shares)	240	13,152
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Voting Rights of Ordinary Shares

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

20 Largest Security Holders as at 19 September 2016

Name of Holder	Shares	%	Rank
Village Roadshow Corporation Pty Limited	65,960,636	40.94	1
Citicorp Nominees Pty Limited	17,546,329	10.89	2
HSBC Custody Nominees (Australia) Limited	17,135,520	10.64	3
J P Morgan Nominees Australia Limited	15,607,411	9.69	4
Ravenscourt Pty Ltd	2,825,502	1.75	5
National Nominees Limited	2,527,002	1.57	6
Mutual Trust Pty Ltd	2,453,218	1.52	7
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,683,617	1.04	8
Mr John Kirby	1,002,500	0.62	9
Mr John Ross Kirby <John Kirby Family No 2 A/C>	1,000,000	0.62	10
BNP Paribas Noms Pty Ltd <DRP>	768,136	0.48	11
Mr Christopher B Chard	754,000	0.47	12
Mr Graham William Burke	750,000	0.47	13
Glenn Hargraves Investments Pty Ltd	650,000	0.40	14
Mr Joel Pearlman	525,000	0.33	15
Mr Clark Kirby	500,000	0.31	16
Mr Andrew Roy Newbery Sisson	410,347	0.25	17
Ms Julie Raffe + Raffe Nominees Pty Ltd <Raffe Family A/C>	402,360	0.25	18
Charles & Cornelia Goode Foundation Pty Ltd <CCG Foundation A/C>	400,000	0.25	19
Mr Kirk Edwards	400,000	0.25	20
TOTAL	133,301,578	82.74	

FIVE YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
Operating Results – Continuing Operations (\$'000)					
Total revenue	1,039,865	967,625	939,170	908,475	905,278
EBITDA before material items	168,753	165,713	170,861	163,993	154,656
EBIT before material items	97,145	97,500	105,512	109,729	102,694
Net interest expense	27,839	26,317	26,064	27,722	27,660
Tax expense, excluding tax on material items	17,542	20,962	22,373	24,667	22,202
Net profit excluding material items attributable to members	50,865	50,075	56,456	57,187	52,832
Total dividends declared ¹	45,109	44,766	43,066	41,462	33,507
Statement of Financial Position (\$'000)					
Total shareholders' equity	480,359	525,643	521,310	572,078	522,811
Net borrowings	534,719	402,156	350,486	271,578	253,970
Funds employed	1,015,078	927,799	871,796	843,656	776,781
Total assets	1,555,676	1,496,316	1,412,894	1,444,512	1,332,768
Other Major Items (\$'000)					
Capital expenditure and investments	158,250	97,052	162,128	152,168	72,923
Depreciation & amortisation expense	71,608	68,213	65,349	54,264	51,962
Ratios					
Return on average total shareholders' equity (%)	10.4	9.6	10.3	10.4	9.9
EBIT/average funds employed (%)	10.0	10.8	12.3	13.5	13.7
Net debt/total capital (%)	52.7	43.3	40.2	32.2	32.7
Interest cover (times)	3.5	3.7	4.0	4.0	3.7
Per Share Calculations					
EPS pre-material items and discontinued operations (cents per share) ²	31.4	31.0	34.9	36.2	34.4
EPS including material items and discontinued operations (cents per share) ²	9.7	27.2	28.3	32.3	22.0
Dividends – ordinary shares (cents per share) ¹	28.0	28.0	27.0	26.0	22.0
Net tangible assets (\$ per share)	0.47	1.08	1.17	1.54	1.48
Other					
Accumulation index – Ordinary shares (index base 1,000 as at 1 July 2011) ³	2,293	2,655	2,947	2,073	1,089

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 2011 with all dividends reinvested.

ADDITIONAL INFORMATION (CONTINUED)

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

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

Film Production

Village Roadshow Entertainment Group

10100 Santa Monica Boulevard
Suite 200
Los Angeles CA 90067
United States
Ph: +1 310 385 4455
Fax: +1 310 385 4334

Investor Inquiries

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

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

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street,
Abbotsford Vic 3067 Australia
Ph: 1300 555 159 Fax: 03 9473 2500 within Australia
Ph: +613 9415 4062 outside Australia

Website: www.computershare.com

Home Exchange

Australian Securities Exchange

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

Cinema Exhibition

Village Cinemas

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

Marketing Solutions

Edge Loyalty

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Ph: +613 9281 1000
Fax: +613 9660 1764



VILLAGE ROADSHOW LIMITED



VILLAGE ROADSHOW LIMITED

www.villageroadshow.com.au



Notice of Annual General Meeting and Explanatory Statement

Date: Thursday 17 November 2016

Time: 9.00 a.m. Melbourne time

Location: Cinema No. 8, Village Cinemas Jam Factory
500 Chapel Street, South Yarra, Victoria

This is an IMPORTANT DOCUMENT and requires your immediate attention. If you are in doubt as to how to deal with this document, please consult your financial or other professional adviser.

In this document you will find:

- A notice of Annual General Meeting.
- An Explanatory Statement containing an explanation of, and information about, the resolutions set out in the accompanying Notice of Annual General Meeting.

Enclosed separately is a proxy form with attendance and registration details.

Important notice

General

You should read this Booklet in its entirety before making a decision on how to vote on the Resolutions set out in the Notice of Annual General Meeting. The Notice of Annual General Meeting commences on page 5 and the Explanatory Statement on page 13. A proxy form for this Meeting accompanies this Booklet.

Defined terms

Capitalised terms in this Booklet are defined either in the Glossary on pages 3 and 4 or where the relevant term is first used.

Purposes of the Explanatory Statement

The purposes of the Explanatory Statement are to:

- (a) explain the terms and effect of each Resolution to Shareholders;
- (b) explain the manner in which each Resolution is to be considered and, if approved, implemented; and
- (c) provide such information as is prescribed by the Corporations Act, Corporations Regulations and ASX Listing Rules or as is otherwise material to the decision of Shareholders whether to pass the Resolutions.

Investment decisions

This document does not take into account the investment objectives, financial situation or particular needs of any Shareholder or any other person. This document should not be relied on as the sole basis for any investment decision in relation to Shares. Shareholders should consider obtaining independent advice before making any decision in relation to the Resolutions. VRL is not licensed to provide financial product advice in relation to its Shares or any other financial products.

Forward looking statements

Certain statements in this document relate to the future. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of VRL or the VRL Group or both to be materially different from expected future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other important factors include among other things, general economic conditions, specific market conditions, exchange rates, interest rates and regulatory changes. These statements reflect the expectations of relevant parties only as of the date of this Booklet.

Glossary

In this Booklet, including in the Notice of Annual General Meeting:

Annexure means the Annexure to, and which forms part of, the Explanatory Statement.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included reference to this Booklet and VRL was the designated body.

ASX means ASX Limited ACN 008 624 691 or the financial market it operates, as the context requires.

Board means the board of Directors of the Company.

Booklet means this Booklet, comprising the Notice of Annual General Meeting, the Explanatory Statement and the Annexure.

Company or **VRL** means Village Roadshow Limited ABN 43 010 672 054.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Director means a director of VRL.

ESP or **Executive Share Plan** means the Company's Executive Share Plan and Loan Facility, as amended.

Explanatory Statement means the explanatory statement contained in this Booklet in relation to the Resolutions to be considered at the Meeting. It accompanies and forms part of the Notice of Annual General Meeting.

Key Management Personnel or **KMP** means the key management personnel of the Company and of the VRL Group, including Directors, as defined in the relevant Australian accounting standard, being those persons with the authority and responsibility for planning, directing and controlling of the activities of the VRL Group as a whole and details of whose remuneration are included in the Remuneration Report for the year ended 30 June 2016.

Listing Rules means the Listing Rules of ASX.

Meeting means the annual general meeting of VRL Shareholders for 2016, notice of which is given in the Notice of Annual General Meeting.

Non-executive Director means a Director other than Mr. Robert Kirby or Mr. Graham Burke, or their alternate director, Ms. Julie Raffae.

Notice of Annual General Meeting means the notice of meeting contained in this Booklet.

Ordinary Share or **Share** means a fully paid ordinary share in VRL.

Ordinary Shareholder or **Shareholder** means a holder of at least one Ordinary Share.

Plan means the VRL Non-executive Directors' Share Plan.

Plan Proposal means the proposal to renew the Plan and extend the date of its operation to 16 November 2019 and to approve the issue of Shares under the Plan the subject of Resolution 4.

Quarter means a 3 month period ending on a Quarter Day.

Quarter Day means 31 March, 30 June, 30 September or 31 December.

Register of Members means the register of members of the Company.

Relevant Period means the period starting on 28 November 2016 and ending 16 November 2019.

Resolutions means the resolutions set out in the Notice of Annual General Meeting.

Voting Entitlement Time means 7.00 p.m. Melbourne time on 15 November 2016.

Voting Exclusion Statement means any of the statements set out in the Notice of Annual General Meeting in this Booklet under the heading 'Voting Exclusion Statements'.

VRC or Village Roadshow Corporation means Village Roadshow Corporation Pty Ltd ACN 004 318 610, VRL's controlling shareholder, which is jointly owned directly or indirectly by Mr. Robert Kirby, Mr. John Kirby and Mr. Graham Burke, each of whom is a Director of VRL.

VRL Group means the Company and each of its controlled entities.

VWAP in respect of a period means the volume weighted average price of Shares sold on ASX during that period excluding special crossings, overnight sales and exchange traded option exercises.

A reference to **dollars, \$, AUD, cents, A\$ or \$A** is to the lawful currency of Australia.

Notice of Annual General Meeting

Village Roadshow Limited ABN 43 010 672 054

Notice is given that the Annual General Meeting of Shareholders of VRL will be held in Cinema Number 8, Village Cinemas Jam Factory, 500 Chapel Street, South Yarra, Victoria at 9.00 a.m. Melbourne time on Thursday 17 November 2016 (**Meeting**).

Business

1. Consideration of financial report

To consider the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2016.

2. To elect Directors:

- (a) Mr Graham W Burke, who retires from office by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- (b) Mr. David Evans, who retires from office by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.
- (c) Ms Jennifer Fox Gambrell, who retires from office in accordance with the Constitution and, being eligible, offers herself for election.

3. 2016 Remuneration Report

To adopt the 2016 Remuneration Report of the Company for the year ended 30 June 2016.

Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.

4. Renewal of Non-executive Directors' Share Plan

To consider and, if thought fit, pass the following resolution:

That:

- (a) *for the purposes of Exception 9 in Listing Rule 7.2 and for all other purposes, Shareholders approve as an exception to Listing Rule 7.1 the issue of Shares under the Plan as contemplated by the notice of this meeting; and*
- (b) *for the purposes of Listing Rules 10.14 and 10.15A and for all other purposes, Shareholders approve the acquisition by the non-executive directors named in the notice of this meeting of Shares under the Plan.*

5. Issue of Shares to the Finance Director

To consider and, if thought fit, pass the following:

- (a) resolution:
“Subject to the passing of resolution 5(b), that the issue to Ms Julie Raffae of 45,000 fully paid ordinary shares in the capital of the Company as outlined in the Explanatory Statement accompanying and forming part of the notice of this meeting is approved for the purposes of Listing Rule 10.11 and for all other purposes.”

- (b) resolution which will be proposed as a special resolution:
“That the financial assistance to be given to Ms Julie Raffe in connection with the issue to Ms Raffe of 45,000 fully paid ordinary shares in the capital of the Company as outlined in the Explanatory Statement accompanying and forming part of the notice of this meeting, is approved for the purposes of section 260B(2) of the Corporations Act and for all other purposes.”

6. Holding a Spill Meeting

Condition for Resolution 6: Resolution 6 will only be required if at least 25% of the votes cast on Resolution 3 are against the adoption of the 2016 Remuneration Report. If this condition is satisfied, to consider and if thought fit, pass the following resolution:

“That as required by the Corporations Act:

- (a) *a meeting of the Company’s Shareholders be held within 90 days of the date of the 2016 annual general meeting (the **Spill Meeting**);*
- (b) *all the Company’s directors that hold office following this 2016 annual general meeting, and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and*
- (c) *resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting.”*

Required voting majorities

Resolutions 2(a), 2(b) and 2 (c) – election of Directors

Resolutions 2(a) and 2(b) and 2(c) to elect or re-elect Directors of the Company require a simple majority of the votes cast by Shareholders present and voting at the meeting, whether in person, by proxy or attorney, or in the case of corporate Shareholders or proxies, by a natural person representative, to be cast in favour of the Resolutions.

Resolution 3 – adoption of Remuneration Report

Resolution 3 to adopt the Company’s 2016 Remuneration Report requires a simple majority of the eligible votes cast by Shareholders present and voting at the meeting, whether in person, by proxy or attorney, or in the case of corporate Shareholders or proxies, by a natural person representative, to be cast in favour of the Resolution.

The vote is advisory only and does not bind the Directors or the Company.

At the Company’s 2015 annual general meeting, more than 25% of the votes cast on the resolution to adopt the 2015 Remuneration Report were against adopting the report. This constituted a ‘first strike’.

If 25% or more of votes cast are voted against the adoption of the 2016 Remuneration Report, this will constitute a ‘second strike’ and Resolution 6 will be put to the meeting and voted on as required by section 250V of the Corporations Act (the **Spill Resolution**).

If less than 25% of the votes cast on Resolution 3 are against adopting the 2016 Remuneration Report, then there will be no ‘second strike’ and Resolution 6 will not be put to the Meeting.

If the Spill Resolution is passed, the Company must convene an extraordinary general meeting within 90 days (the **Spill Meeting**). All Directors will cease to hold office immediately before the end of the Spill Meeting and can stand for re-election at the Spill Meeting.

Resolution 4 – renewal of Non-executive Directors’ Share Plan

Resolution 4 to approve a renewal of the Directors’ Share Plan to salary-sacrifice some or all of their Directors’ Fees in shares in the Company, requires a simple majority of votes cast by Shareholders present and voting at the meeting, whether in person, by proxy or attorney, or in the case of corporate Shareholders or proxies, by a natural person representative, to be cast in favour of the Resolution.

Resolutions 5(a) and 5(b) – issue of Shares to Finance Director

Resolution 5(a) to issue 45,000 Shares to Ms Raffe requires a simple majority of votes cast by Shareholders present and voting at the meeting, whether in person, by proxy or attorney, or in the case of corporate Shareholders or proxies, by a natural person representative, to be cast in favour of the Resolution.

Resolution 5(b) to provide financial assistance to Ms Raffe to acquire 45,000 Shares requires 75% of votes cast by Shareholders present and voting at the meeting, whether in person, by proxy or attorney, or in the case of corporate Shareholders or proxies, by a natural person representative, to be cast in favour of the Resolution.

Resolution 6 – holding a spill meeting

This Resolution is a 'conditional' resolution. It will only be required if at least 25% of the votes cast on Resolution 3 to adopt the 2016 Remuneration Report are cast against the motion.

Resolution 6 requires a simple majority of the votes cast by Shareholders present and voting at the meeting, whether in person, by proxy or attorney, or in the case of corporate Shareholders or proxies, by a natural person representative, to be cast in favour of the Resolution.

Directors' recommendations and voting

Resolutions 2(a), 2(b) and 2 (c) – election of Directors

The Board of Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolutions 2(a), 2(b) and 2(c).

Each Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolutions 2(a) and 2(b).

VRL has been informed that VRC intends to vote its Shares in favour of Resolutions 2(a), 2(b) and 2(c).

Resolution 3 – adoption of Remuneration Report

The Board of Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolution 3.

Voting exclusions apply to members of the Key Management Personnel of the Company details of whose remuneration are included in the Remuneration Report (**KMP**) as well as 'closely related parties' of such KMP. Closely related parties of a member of the KMP include certain family members, dependants and companies they control.

Voting exclusions apply to members of the Company's KMP and their closely related parties voting as proxies on this Resolution. See the section below headed 'Voting Exclusion Statements' for further details.

VRL has been informed that VRC intends to abstain from voting its Shares on Resolution 3.

Resolution 4 – renewal of Directors' Share Plan

The Board of Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolution 4.

Voting exclusions apply to the Company's Non-executive Directors and their associates voting as proxies on this Resolution. See the section below headed 'Voting Exclusion Statements' for further details.

VRL has been informed that VRC intends to vote its Shares in favour of Resolution 4.

Resolutions 5(a) and 5(b) – issue of Shares to Finance Director

The Board of Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolutions 5(a) and 5(b).

Other than Ms Raffe, each Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolutions 5(a) and 5(b). Ms Raffe will become the holder of the 45,000 Shares proposed to be issued to her and the loan to fund the acquisition, and accordingly declines to make any recommendation on Resolutions 5(a) and 5(b) and is precluded from voting on Resolutions 5(a) and 5(b).

Voting exclusions apply to members of the Company's KMP and their closely related parties voting as proxies on this Resolution. See the section below headed 'Voting Exclusion Statements' for further details.

VRL has been informed that VRC intends to vote its Shares in favour of Resolutions 5(a) and 5(b).

Resolution 6 – Holding a Spill Meeting

The Board of Directors unanimously recommend that all Shareholders entitled to vote, vote AGAINST Resolution 6.

Voting exclusions apply to members of the Company's KMP and their closely related parties voting as proxies on this Resolution. See the section below headed 'Voting Exclusion Statements' for further details.

VRL has been informed that VRC intends to vote its Shares against Resolution 6. This is to avoid the delay and expense associated with convening and holding a further meeting of Shareholders.

If a Spill Meeting is held, the Company has been informed that VRC intends to vote its Shares in favour of re-electing all of the current Directors at the Spill Meeting.

Voting Exclusion Statements

Resolution 3

VRL will disregard any votes cast on Resolution 3 by or on behalf of:

- (a) a member of the KMP of the Company details of whose remuneration are included in the Company's 2016 Remuneration Report for the year ended 30 June 2016; and
- (b) a closely related party of such a member.

However, the Company will not disregard the vote of a person described in paragraph (a) or (b) above on the Resolution if the vote is not cast on behalf of a person described in either paragraph and either:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the Resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Resolution 4

VRL will disregard any votes cast on Resolution 4 by:

- (a) any Director, except one who is ineligible to participate in any employee incentive scheme in relation to VRL; and
- (b) an Associate of any Director, except one who is ineligible to participate in any employee incentive scheme in relation to VRL.

However, VRL need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the chair of the meeting as proxy for a person who is entitled to vote and the appointment of the chair as proxy expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Resolutions 5(a) and 5(b)

VRL will disregard any votes cast on Resolutions 5(a) and 5(b) by:

- (a) Ms Julie Raffe; and
- (b) her Associates.

However, VRL need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the chair of the meeting as proxy for a person who is entitled to vote and the appointment of the chair as proxy expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

Resolution 6

VRL will disregard any votes cast on Resolution 6 by or on behalf of:

- (a) a member of the KMP of the Company details of whose remuneration are included in the Company's 2016 Remuneration Report for the year ended 30 June 2016; and
- (b) a closely related party of such a member.

However, the Company will not disregard the vote of a person described in paragraph (a) or (b) above on the Resolution if the vote is not cast on behalf of a person described in either paragraph and either:

- (c) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the person is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the Resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Appointing the Chair as your proxy

If you appoint the Chair as your proxy and you do not specify how the chair is to vote on a Resolution, the proxy appointment expressly authorises the Chair to exercise the proxy even if the Resolution may be connected directly or indirectly with the remuneration of a member of the KMP.

The Chair of the meeting intends to vote all available and undirected proxies against Resolution 6, otherwise he intends to vote all available and undirected proxies in favour of all Resolutions, subject to the above Voting Exclusions.

How to Vote

Voting Entitlements

VRL has determined that for the purposes of voting at the Meeting or at any adjourned meeting, Shares will be taken to be held by those persons recorded on the Register of Members at the Voting Entitlement Time.

Voting Entitlement Time

In accordance with Regulation 7.11.37 of the Corporations Regulations, all securities of the Company that are quoted on ASX at 7.00 p.m. Melbourne time on Tuesday 15 November 2016 being the Voting Entitlement Time, are taken, for the purposes of the above meeting, to be held by the persons who held them at that time. Only those persons will be entitled to vote at the Annual General Meeting on Thursday, 17 November 2016.

Joint holders

When joint holders are named in the Register of Members only one joint holder may vote. If more than one of the joint holders is present at the Meeting, only the person whose name appears first in the Register of Members will be entitled to vote.

Voting in person or by attorney

Shareholders or their attorneys wishing to vote in person should attend the Meeting. Attendees are asked to arrive at least 15 minutes prior to the time the Meeting is to commence, so that their Shareholding may be checked against the Register and their attendance noted. Shareholders should bring their bar coded proxy form with them to assist in Shareholder identification and registration. Attorneys should bring the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting.

Voting by corporate representative

Corporate Shareholders or proxies wishing to vote by corporate representative should:

- (a) obtain an appointment of corporate representative form from Computershare Investor Services Pty Ltd;
- (b) complete and sign the form in accordance with the instructions on the form; and
- (c) bring the completed and signed form with them to the Meeting.

Proxies

Appointment

1. A Shareholder who is entitled to vote at the Meeting may appoint:
 - (a) one proxy if the Shareholder is only entitled to one vote; or
 - (b) one or two proxies if the Shareholder is entitled to more than one vote.

2. Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a Shareholder of VRL. A proxy may be an individual or a body corporate.
4. If the proxy form is signed by the Shareholder but does not name the proxy or proxies in whose favour it is given, or the proxy does not attend the Meeting, the Chairman may either act as proxy or complete the proxy form by inserting the name of a Director or a Secretary of the Company.
5. If you require an additional proxy form, VRL will supply it on request.
6. To be valid, a proxy form signed under a power of attorney must be accompanied by the signed power of attorney, or a certified copy of the power of attorney.
7. Proxies given by corporate Shareholders must be executed in accordance with their constitutions and section 127 of the Corporations Act, or signed by a duly authorised officer or attorney.
8. Shareholders wishing to vote by proxy must complete, sign, and deliver the personalised proxy form in accordance with the instructions on the form so that it is received prior to 9.00 a.m Melbourne time on Tuesday 15 November 2016 by:
 - (a) post in the reply paid envelope provided, to:
 Village Roadshow Limited
 C/- Computershare Investor Services Pty Ltd
 PO Box Reply Paid 242
 Melbourne, Victoria, 3001;
 - (b) hand delivered, to:
 Village Roadshow Limited
 C/- Computershare Investor Services Pty Ltd
 Yarra Falls, 452 Johnston Street
 Abbotsford, Victoria, 3067; or
 - (c) fax, to:
 Village Roadshow Limited
 C/- Computershare Investor Services Pty Ltd
 on 1800 783 447 (within Australia) or;
 +61 3 9473 2555 (outside Australia); or
 - (d) electronically, at www.investorvote.com.au by using the secure access information or the QR code on the proxy form and following the instructions provided.

Voting

1. If a member appoints one proxy, that proxy may, subject to the Corporations Act, vote on a show of hands. If a member appoints two proxies, neither proxy may vote on a show of hands, but each may vote on a poll.
2. A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in his or her capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may only vote on the item as directed. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.
3. If the abstention box on the proxy form for any item of business is marked, the proxy will be directed not to vote on a show of hands or on a poll and the relevant Shares will not be counted in calculating the required majority on a poll.

4. For Shareholders that use Intermediary Online subscribers only (custodians) - please visit **www.intermediaryonline.com** to submit your voting intentions.

Recording devices

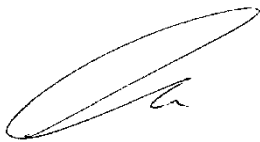
In the absence of special permission, the Chairman will require that any recording or broadcasting device (including tape recorders, mobile telephones, still cameras and video cameras) and any article which may be dangerous, offensive or liable to cause disruption, be turned off or deposited outside the Meeting.

Further information

Further information on the Meeting and the Resolutions is contained in the remainder of the Booklet.

Dated 14 October 2016

By Order of the Board

A handwritten signature in black ink, appearing to be 'Shaun Driscoll', written over a horizontal line.

Shaun Driscoll
Group Company Secretary

Explanatory Statement

This Explanatory Statement, which accompanies and forms part of the Notice of Annual General Meeting, contains an explanation of, and information about, matters to be considered at the Annual General Meeting of VRL on 17 November 2016. It is given to Shareholders to help them determine whether to attend the General Meeting and ask questions and to help them determine how to vote on the various agenda items.

Shareholders should read this Explanatory Statement in full because individual sections may not give a comprehensive review of the various matters contemplated in this Explanatory Statement. This Explanatory Statement forms part of the accompanying Notice of Annual General Meeting and should be read with the Notice of Annual General Meeting.

If you are in doubt about what to do, you should consult your financial or other professional adviser immediately.

Item 1: To consider the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2016

The Financial Report, Directors' Report and Auditor's Report for the Company for the year ended 30 June 2016 are part of the Company's 2016 Annual Report which has been made available to Shareholders.

The Company's 2016 Annual Report including the 2016 Remuneration Report is available to access and download from www.villageroadshow.com.au/annual_reports/annual_report_2016.asp.

Shareholders who have requested a printed copy of the 2016 Annual Report will have received one with this Notice of Annual General Meeting booklet. If you would like to receive a printed copy of the Annual Report free of charge you can contact the Company's share registry on 1300 850 505.

There is no requirement for Shareholders to approve these reports. However the Chairman will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the reports. The Company's auditor will also be present at the meeting and Shareholders will also be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the Auditor's Report and the Auditor's Independence Declaration.

Item 2: To re-elect Directors – (a) Mr Graham W Burke and (b) Mr David Evans

Mr Graham W Burke, the Company's Co-Executive Chairman and Co-Chief Executive Officer, retires from office by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election. Details of Mr Burke's qualifications, experience and special responsibilities are set out in the Directors' Report in the 2016 Annual Report.

The non-candidate Directors of the Company unanimously support the re-election of Mr Graham W Burke.

Mr David Evans, the Company's Lead Independent Director, retires from office by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Details of Mr. Evan's qualifications, experience and special responsibilities are set out in the Directors' Report in the 2016 Annual Report.

The non-candidate Directors of the Company unanimously support the re-election of Mr. David Evans.

The Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolutions 2 (a) and 2 (b).

Each Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolution 2 (a) and 2 (b).

Item 2(c): To elect a Director – Ms Jennifer Fox Gambrell

Ms Jennifer Fox Gambrell, an Independent Non-executive Director since 19 November 2015, retires from office in accordance with the Company's Constitution and, being eligible, offers herself for election. Details of Ms Gambrell's qualifications, experience and special responsibilities are set out in the Directors' Report in the 2016 Annual Report.

The non-candidate Directors of the Company unanimously support the election of Ms Jennifer Fox Gambrell.

The Directors unanimously recommend that all Shareholders entitled to vote, vote in favour of Resolution 2 (c).

Each Director who is a Shareholder as at the Voting Entitlement Time and who is otherwise entitled to vote, intends to vote their Shares in favour of Resolution 2 (c).

Item 3: To adopt the 2016 Remuneration Report of the Company for the year ended 30 June 2016

The 2016 Remuneration Report of the Company for the year ended 30 June 2016 is part of the Directors' Report included in the Company's 2016 Annual Report which has been made available to Shareholders. Shareholders are encouraged to read the Remuneration Report prior to casting their vote on Resolution 3.

Please note that the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors or the Company. The Chairman will allow a reasonable opportunity for Shareholders to ask questions about, or make comments on, the Remuneration Report at the meeting. The Company will take the outcome of the vote on this Resolution 3 into consideration and the comments made by Shareholders at the meeting when reviewing the Company's remuneration practices and policies.

In accordance with the Corporations Act, if twenty-five percent (25%) or more of the eligible votes cast are voted against the adoption of the Company's Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution that another meeting of Shareholders be held within 90 days at which all of the Company's Directors who were in office at the date of issue of the relevant second consecutive Remuneration Report cease to hold office (but may be put up for re-election).

Noting that each Director has a personal interest in their own remuneration from the Company, the Directors unanimously recommend that all Shareholders vote in favour of Resolution 3 approving the adoption of the Company's 2016 Remuneration Report.

As outlined in the Notice of Annual General Meeting, all Directors and other specified senior officers of the Company constituting the Company's KMP, details of whose remuneration are included in the Company's Remuneration Report, and those KMP's respective closely related parties, are precluded from casting a vote on Resolution 3.

At the Company's 2015 annual general meeting, more than 25% of the votes cast on the resolution to adopt the 2015 Remuneration Report were against adopting the report. This constituted a 'first strike'.

If 25% or more of votes cast are voted against the adoption of the 2016 Remuneration Report, this will constitute a 'second strike' and Resolution 6, known as the Spill Resolution, will be put to the meeting and voted on as required by section 250V of the Corporations Act. This will be considered as an ordinary resolution.

If less than 25% of the votes cast on Resolution 3 are against adopting the 2016 Remuneration Report, then there will be no 'second strike' and Resolution 6 will not be put to the Meeting.

Item 4: To renew the Company's Non-Executive Directors' Share Plan

1. Introduction

At the 2013 Annual General Meeting Shareholders approved the renewal of a Directors' Share Plan that will come to an end on 28 November 2016. The Board believes the acquisition of Shares by Non-executive Directors by fee sacrifice is appropriate and seeks the approval of Shareholders to extend the date for the operation of this Plan for a further three years to 16 November 2019.

Under Listing Rule 10.11, unless an exception applies, the Company must obtain the approval of its shareholders by resolution before it can issue securities to a related party or a person whose relationship with the Company or a related party is, in ASX's opinion, such that shareholder approval should be obtained. As a Director of the Company, each Non-executive Director is a related party of the Company, and therefore any issue of Shares under the Plan requires shareholder approval under Listing Rule 10.11 unless an exception applies.

Exception 4 in Listing Rule 10.12 to Listing Rule 10.11 applies to acquisitions of Shares by a director or associate under an employee incentive scheme which has been approved for the purposes of Listing Rule 10.14. Listing Rule 10.14 prohibits VRL from permitting such acquisitions (subject to an exception which is irrelevant for present purposes) without Shareholder approval.

Resolution 4 has been proposed to comply with Listing Rule 10.14. It will also have the effect under Exception 9 in Listing Rule 7.2 that issues of Shares under the Plan will not be taken into account for the purposes of the 15% limit on Shares that may be issued under Listing Rule 7.1, with the exception that Shares issued under the Plan will be added to the total number of Shares on issue against which the 15% limit is calculated.

2. Summary of the terms of the Plan

The Plan permits each VRL Non-executive Director to sacrifice each Relevant Quarter up to 100% of the fees that would be payable to the Non-executive Director in respect of that Relevant Quarter.

Shares may be acquired by Participants by on-market purchase, off-market transfer or issue. Shares acquired by issue in a Relevant Quarter will be issued at a price equal to the VWAP for the Relevant Quarter. Shares acquired by purchase or transfer will be allocated among Participants on an average cost basis.

Shares acquired under the Plan will be freely disposable on acquisition but will be subject to the Company's securities trading policy.

An election to participate in the Plan will apply for the calendar year in which the election is made and, subject to variation or termination of participation, all subsequent calendar years. A Participant may vary their level of, or terminate, their participation in the Plan at any time for any future calendar year.

A copy of the rules of the Plan is available on the Company's website at www.villageroadshow.com.au and can be obtained at any time prior to the meeting by contacting the Company's Investor Relations Department at investor_relations@vrl.com.au. A copy of the rules will also be available for inspection at the Annual General Meeting.

3. Detailed Information

Under Listing Rule 10.15A, the Company is required to provide the following information to Shareholders to allow them to assess the proposed issue of Shares under the Plan:

Number of securities to be issued

The maximum number of Shares for which approval is being sought under the Plan Proposal is 750,000, being 250,000 Shares in any calendar year. This 250,000 annual maximum number of Shares is not the actual number of Shares that will be issued under the Plan but a theoretical maximum (based on the current market price of the Company's Shares at the date of preparing this Explanatory Statement of approximately \$5.02) required to be specified under the ASX Listing Rules – it is very likely that the number of Shares issued under the Plan in each calendar year will be considerably less than this maximum number).

Assuming the full participation for the Annual Fee Pool of all eligible non-executive directors for the Relevant Period, the maximum number of Shares is calculated as follows:

For each quarter in the Relevant Period (**Relevant Quarter**), Annual Fee Pool divided by four divided by VWAP for the Relevant Quarter, where:

Relevant Period means the period starting 29 November 2016 and ending 16 November 2019.

Annual Fee Pool means the current maximum Non-executive Directors' fee pool cap of \$1,300,000 per annum (approved by VRL Shareholders in November 2012).

VWAP for a **Relevant Quarter** means, VWAP over the first 5 ASX Business Days in the third month of the Relevant Quarter.

Price of securities

The price of Shares to be issued under the Plan will be based on the market price. For a Relevant Quarter it will be calculated as the VWAP for the Relevant Quarter.

Shares purchased on market for the purposes of the Plan will be allocated to Participants on an average price basis.

Previous participants

Details of previous participants in the Plan who received Shares under the Plan since the last approval in 2013, the number of Shares issued to them and the acquisition price of each Plan Share as at the date of this Explanatory Statement are as follows:

Name of Participant	Number of Shares	Date of Issue	Acquisition Price
T.M. Antonie	819	9 December 2013	\$7.32
	819		
P.D. Jonson	1,707	8 December 2013	\$7.32
	684	11 March 2014	\$7.30
	644	10 June 2014	\$7.76
	620	8 September 2014	\$7.45
	664	8 December 2014	\$6.96
	856	10 March 2015	\$5.40
	749	9 June 2015	\$6.17
	659	8 September 2015	\$7.01
	6,583		
R. Le Tet	4,781	9 December 2013	\$7.32
	4,794	11 March 2014	\$7.30
	4,510	10 June 2014	\$7.76
	4,697	8 September 2014	\$7.45
	5,028	8 December 2014	\$6.96
	6,481	10 March 2015	\$5.40
	5,672	9 June 2015	\$6.17
	4,992	8 September 2015	\$7.01
	5,307	8 December 2015	\$6.81
	7,197	8 March 2016	\$5.21
	7,115	8 June 2016	\$5.27
	8,047	8 September 2016	\$4.66
	68,261		
Total Plan Shares issued	76,023		

Eligible directors

The VRL Non-executive Directors eligible to participate in the Plan from 29 November 2016 are David Evans, Robert Le Tet, Timothy Antonie, John R. Kirby and Jennifer Fox Gambrell.

Subsequently appointed VRL Non-executive Directors are not covered by Resolution 4 and a separate resolution by shareholders will be required before they will be eligible to participate in the Plan.

No Loan arrangements

Shares will be acquired under the Plan pursuant to fee sacrifice arrangements with relevant Participants. There are not proposed to be any loans in relation to such acquisitions.

Annual report disclosures

Details of any securities issued under the Plan will be published by VRL in each annual report of VRL relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under Listing Rule 10.14.

Any additional persons who become entitled to participate in the Plan after Resolution 4 was approved and who are not named in the Explanatory Statement will not participate until approval is obtained under Listing Rule 10.14.

Date of issue

VRL will issue Shares under the Plan no later than the end of the Relevant Period.

5 Items 5(a) and 5(b): To issue 45,000 ordinary Shares to Ms Julie Raffe and to provide financial assistance in connection with the acquisition of such Shares

1. Introduction

Ms Julie Raffe is the Finance Director of the Company, a position she has held since 15 May 2012 prior to which Ms Raffe has held the position of Chief Financial Officer of VRL for over 20 years since 28 September 1992. Ms Raffe is also an alternate Director of the Company for Messrs Robert Kirby and Graham Burke. Details of Ms Raffe's qualifications and experience are outlined in VRL's 2016 Annual Report which has been made available to Shareholders.

To provide appropriate long term equity incentives to Ms Raffe, it is proposed that Ms Raffe be issued with 45,000 fully paid Shares (**Subscription Shares**) in the capital of VRL on the terms and conditions that reflect those set out in the company's Executive Share Plan and Loan Facility (**ESP**) as if she was eligible, as a director of the Company, to participate in the ESP. The ESP, as amended, was approved by Shareholders on 19 November 1996. Directors of the Company are not entitled to participate in the ESP. However, the Subscription Shares will be issued by VRL to Ms Raffe following the date of the Company's 2016 Annual General Meeting as if the ESP applied to the Subscription Shares at the volume weighted average sale price (**VWAP**) of the Shares on the ASX during the five ASX trading days prior to the date the Subscription Shares are issued, rounded up to the nearest whole cent.

The net cash effect for the VRL group of issuing the Subscription Shares at the VWAP to Ms Raffe will be minor. For accounting purposes, the value of the Subscription Shares will be expensed over the vesting period, and these amounts will be included as part of the future remuneration disclosures for Ms Raffe.

2. Terms of the proposed issue of Subscription Shares

Consistent with the terms of the ESP, if Resolutions 5(a) and 5(b) are passed:

- VR ESP Finance Pty Limited ACN 060 514 043 (**VRESPF**), a wholly owned subsidiary of VRL, will loan funds to Ms Raffe to pay the aggregate subscription price for the Subscription Shares to VRL;
- VRL must issue the Subscription Shares to Ms Raffe; and
- Ms Raffe will be indebted to VRESPF for an amount equal to the aggregate subscription price.

The VWAP of Ordinary Shares on ASX for the five ASX trading days prior to 7 October 2016 (being the latest date for preparation of this notice) was approximately \$5.00. Assuming the same VWAP for the five ASX trading days prior to the date the Subscription Shares are issued, the aggregate subscription price for the Subscription Shares will be approximately \$225,000.

As with other participants of VRL's ESP (as amended) available to non-director VRL executives, the loan by VRESPF will bear interest of 25 cents per annum on each Ordinary Share and interest will be payable at any time a dividend is paid on the Ordinary Shares. Where the amount owing on the loan is less than \$2.50 per Share then the interest rate will revert to 10% per annum.

If the dividend on Ordinary Shares in any year is less than 25 cents per Share, the interest amount payable on the loan from VRESPF in respect of that year will equal the dividend paid, if any.

50% of the amount of any excess of dividends over 25 cents per Ordinary Share in any financial year will be applied in reduction of the loan. The remaining 50% of any excess dividend will be paid to Ms Raffe. No representation is given that any dividend will be paid in respect of Ordinary Shares.

On their issue, all Subscription Shares will be 'Restricted Shares'. Restricted Shares may not be sold, transferred or assigned by Ms Raffe. Any Restricted Shares held by Ms Raffe will be forfeited immediately on the cessation of employment of Ms Raffe with VRL or an associated group company in any circumstance other than retirement, unless the Directors of VRL determine otherwise.

VRL may sell or otherwise dispose of forfeited Restricted Shares including on ASX and any proceeds of sale or disposal will be applied as follows:

- first, in payment of duties, brokerage and like costs and expenses of sale or disposal;
- second, in repayment of the loan;
- third, in payment to Ms Raffe of any monies paid directly by Ms Raffe in reduction of the loan excluding any dividends which have been applied in reduction of the loan as described above; and
- fourth, in payment to VRESPF of any surplus, if any. In the event of any shortfall, there should be no adverse financial impact on the VRL group.

On the third, fourth and fifth anniversaries of the date of issue of the Subscription Shares, up to one third of the Subscription Shares may vest and become 'Unrestricted Shares' subject to satisfying the Total Shareholder Return (**TSR**) hurdle test. The number of shares which vest and become Unrestricted depends on VRL's TSR performance compared to the TSR performance of the benchmark (**ASX TSR Benchmark**) for the three, four or five financial years. The ASX TSR Benchmark for the TSR vesting calculation is based on the basket of comparison group of companies of S&P/ASX200 industrial companies (excluding the ASX top 50 companies, banks and financials, resources and energy stocks, health care, IT, telecommunications and other non-comparable companies).

No Subscription Shares vest unless VRL has a positive TSR and achieves a TSR of 50% or more of the relevant ASX TSR Benchmark and will fully vest if VRL achieves 75% or more of the relevant ASX TSR Benchmark. Between these levels, a straight line proportion vest.

At any time after Restricted Shares become Unrestricted Shares, Ms Raffe may instruct VRL to sell:

- part of the Unrestricted Shares on Ms Raffe's behalf and repay the loan from the proceeds of sale (VRL will not be required to sell Unrestricted Shares unless VRESPF is satisfied that the proceeds of sale will be sufficient to repay such proportion of the loan plus outstanding interest as VRESPF determines); or
- all the Unrestricted Shares on Ms Raffe's behalf and repay the loan in full from the sale of the Unrestricted Shares, provided that VRL will not be required to sell the Unrestricted Shares unless VRESPF is satisfied that the proceeds of sale will be sufficient to repay the loan.

Where VRL sells Unrestricted Shares on behalf of Ms Raffe the proceeds must be applied as follows:

- first, in payment of any brokerage and like costs and expenses of the acquisition and sale incurred by VRL;
- second, in reduction of the loan; and
- third, the balance, if any, in payment to Ms Raffe.

Ms Raffe agrees:

- that VRL will apply a holding lock to the Subscription Shares immediately after their issue; and
- the holding lock will apply to a Subscription Share until:
 - the Subscription Share becomes an Unrestricted Share and the loan has been repaid; or
 - such earlier time as VRL decides.

If Ms Raffe sells or otherwise disposes of all or any of the Subscription Shares, the proceeds must be applied toward repayment of the loan. The loan has no specified repayment date, however:

- if Ms Raffe ceases employment with VRL or an associated group company due to dismissal, redundancy, retirement or otherwise, Ms Raffe must repay the loan within 6 months of such cessation or within such other period as the Directors of VRL may otherwise determine; and
- recourse against Ms Raffe for repayment of the loan and interest is limited to the proceeds of any sale of the Subscription Shares (as well as any previous reductions to the loan balance from dividends paid by VRL, as described above).

If VRL makes a rights issue of shares, Ms Raffe will be entitled to participate in the rights issue in respect of both the Restricted Shares and Unrestricted Shares she holds as at the record date set by VRL to determine entitlements under the rights issue. VRESPF will not provide loans to Ms Raffe to enable Ms Raffe to acquire shares under the rights issue. Shares acquired by Ms Raffe under a rights issue will not be subject to ESP terms and will be held by Ms Raffe without restriction.

If VRL makes a bonus issue of shares, Ms Raffe will participate fully in respect of both the Restricted Shares and Unrestricted Shares she holds as at the record date set by VRL to determine entitlements to the bonus issue, provided that bonus shares will be issued on the same terms as those shares held by Ms Raffe under terms that reflect those that are applicable under the ESP as if she was entitled to participate in the ESP. For example, any bonus shares issued in respect of Restricted Shares will be Restricted Shares and any bonus shares issued in respect of Unrestricted Shares will be Unrestricted Shares.

If VRL offers Shareholders securities or other interests or any rights thereto other than shares (**Securities**), then the Directors of VRL will determine whether the Securities are to be offered to Ms Raffe in respect of Restricted Shares, Unrestricted Shares or both Restricted and Unrestricted Shares held by Ms Raffe as at the record date set by VRL to determine entitlements to the offer, or whether any other equivalent securities, interest or gifts will be offered to Ms Raffe if the Securities are not available to Ms Raffe. The price payable in respect of Securities will be determined by the Directors of VRL in their absolute discretion.

3. Shares trading history

	Price per Share
• Last sale price on ASX prior to 7 October 2016	\$5.02
• Highest sale price on ASX in the 12 months prior to 7 October 2016	\$7.68
• Lowest sale price on ASX in the 12 months prior 7 October 2016	\$4.46
• VWAP for the 3 months prior to 7 October 2016	\$4.95
• VWAP for 6 months prior to 7 October 2016	\$5.05
• VWAP for 12 months prior to 7 October 2016	\$5.68

4. Dilution effect

As at 7 October 2016, there are 161,577,226 Ordinary Shares on issue. The issue of 45,000 Ordinary Shares to Ms Raffe will dilute Ordinary Share holdings by approximately 0.028%.

5. Ms Raffe's existing Shareholdings

As at 7 October 2016 Ms Raffe holds 702,360 ESP Shares.

6. Impact on Ms. Raffe's total remuneration package

Information regarding Ms Raffe's current overall remuneration package is contained in the 2016 Remuneration Report set out in the 2016 Annual Report.

As required by Accounting Standard AASB 2: *Share-based Payment*, where shares are treated as 'in substance options', the value of the Subscription Shares is required to be expensed by VRL over the vesting period of those Shares, with a corresponding credit to a reserve account, resulting in no net change to the VRL group's Total Equity.

The Directors will obtain a valuation of the Subscription Shares proposed to be issued to Ms Raffe, the fair value of which Subscription Share will use the Black-Scholes option-pricing model. The resulting aggregate fair value per Subscription Share is not expected to be significant.

In accordance with AASB 2, this fair value will be recognised as an expense in the financial statements as an employee benefits expense although no cash settlement for this amount is to be made by the Company to Ms Raffe. The estimated fair value to be expensed through the Company's financial statements will recognise the straight-line profile of the staggered vesting dates over 3, 4 and 5 years.

The valuation for the purposes of AASB 2 will be obtained by Directors should the allotment of the Subscription Shares to Ms Raffe be approved by Shareholders when the final date of issue of the Subscription Shares is known.

7. Sections 260A(1) and 260B(2) of the Corporations Act

VRESPF will financially assist Ms Raffe to acquire the Subscription Shares by advancing to Ms Raffe and paying the aggregate subscription price to VRL on behalf of Ms Raffe as described above.

Section 260A(1) of the Corporations Act has the effect that VRESPF may financially assist a person to acquire shares in VRL only if:

- giving the assistance does not materially prejudice:
 - the interests of the company or its Shareholders; or
 - the company's ability to pay its creditors;
- the assistance is approved by Shareholders under section 260B; or
- the assistance is exempted under section 260C.

Section 260B(2) of the Corporations Act has the effect that, because immediately after Ms Raffe acquires the Subscription Shares VRESPF will continue to be a subsidiary of VRL and VRL will continue to be a listed domestic corporation, Shareholder approval of the financial assistance under section 260B must include approval by a special resolution passed at a general meeting of VRL.

Resolution 5(b) proposes that the financial assistance to be given to Ms Raffe in connection with the issue to her of 45,000 fully paid Ordinary Shares in the capital of VRL is approved for the purposes of section 260B(2) of the Corporations Act.

The Directors of VRL confirm that they are satisfied that giving the assistance to Ms Raffe will not materially prejudice the interests of the Company or its Shareholders or the Company's ability to pay its creditors.

VRESPF has already approved the proposed financial assistance under sections 260B(1) and 260B(3) of the Corporations Act respectively.

8. Listing Rules 10.11 and 10.13

Listing Rule 10.11 has the effect that, unless one of the exceptions in Listing Rule 10.12 applies, VRL must not issue or agree to issue Ordinary Shares to a Director of VRL without the approval of the holders of the Ordinary Shares. None of the exceptions in Listing Rule 10.12 applies to the proposed issue to Ms Raffe.

Listing Rule 10.13 has the effect that the following information (in addition to the information disclosed elsewhere in the Explanatory Statement) must be set out in notice of meeting to approve the issue of Shares to a Director of VRL under Listing Rule 10.11:

- **Name of the issuee:** Ms Julie Raffe.
- **Number of securities to be issued:** 45,000 Ordinary Shares.
- **Date by which the Shares will be issued:** Within 1 month after the date Resolutions 5(a) and 5(b) are passed.
- **Issue price:** An amount equal to the aggregate of the VWAP of Ordinary Shares on ASX during the five ASX trading days prior to the date the Subscription Shares are issued, rounded up to the nearest whole cent.
- **Terms of the issue:** The Ordinary Shares will be issued as fully paid and will rank equally with all other Ordinary Shares on issue. VRESPF will assist Ms Raffe to acquire the Subscription Shares by advancing a loan to Ms Raffe on the terms described above.
- **Intended use of funds raised:** Funds raised on repayment of the loan by Ms Raffe will be used for working capital purposes.

9. Directors' recommendation

The Directors of VRL, other than Ms Raffe, unanimously recommend that you vote in favour of Resolutions 5(a) and 5(b). Julie Raffe makes no recommendation in relation to these resolutions as she has a material personal interest in relation to Resolutions 5(a) and 5(b).

VRL has been informed that VRC has indicated that it intends to vote in favour of Resolutions 5(a) and 5(b).

Item 6: Conditional resolution to hold a Spill Meeting

1. Introduction

This resolution is a conditional resolution and will only be required if at least 25% of the votes cast on Resolution 3 to adopt the Remuneration Report are cast against the motion.

Under the Corporations Act, if at least 25% of the votes cast on the adoption of the Remuneration Report at two consecutive annual general meetings are cast against adopting the Remuneration Report, Shareholders have the opportunity to vote on a resolution to 'spill' the Board of Directors.

At VRL 2015 annual general meeting more than 25% of the votes cast on the resolution to adopt the 2015 Remuneration Report were against adopting the report. This constituted a 'first strike'.

If at least 25% of the votes cast on Resolution 3 are against adopting the 2016 Remuneration Report at the 2016 Meeting, this will constitute a 'second strike' and Resolution 6 will be required and voted on as required by section 250V of the Corporations Act.

If required, the Spill Resolution will be considered as an ordinary resolution.

If the Spill Resolution is passed, a further meeting of the Company's Shareholders must be held within 90 days (the **Spill Meeting**). Immediately before the end of the Spill Meeting all the Company's Directors that hold office following this Meeting, and who remain in office at the time of the Spill Meeting, cease to hold office. Each Director is eligible to seek re-election as a Director of the Company at the Spill Meeting.

Shareholders should note that each Director intends to stand for re-election at the Spill Meeting should such a meeting be called.

2. Directors' recommendation

If Resolution 6 is required, the Directors of VRL unanimously recommend that you vote AGAINST Resolution 6.

VRL has been informed that VRC intends to vote its Shares against Resolution 6. This is to avoid the delay and expense associated with convening and holding a further meeting of Shareholders

The Company has also been informed that if a Spill Meeting is held, VRC intends to vote its Shares in favour of the re-election of all of the current Directors of the Company.

Corporate Directory

Directors

Robert G. Kirby

Co-Chairman and Co-Chief Executive Officer,
Executive Director

Graham W. Burke

Co-Chairman and Co-Chief Executive Officer,
Executive Director

John R. Kirby

Deputy Chairman, Non-Executive Director

David Evans

Lead Independent Non-Executive Director

Timothy Antonie

Independent Non-Executive Director

Robert Le Tet

Independent Non-Executive Director

Jennifer Fox Gambrell

Independent Non-Executive Director

Julie E. Raffe

Finance Director and alternate director to
R.G. Kirby and G. W. Burke

Share Registry

Computershare Investor Services Pty Ltd

ACN 078 279 277

Yarra Falls

452 Johnston Street

Abbotsford Victoria 3067

Legal advisers

Minter Ellison

Level 23

525 Collins Street

Melbourne Victoria 3000

Registered office

Level 1, 500 Chapel Street,

South Yarra

Victoria 3141

Company Secretaries

Shaun L. Driscoll

Julie E. Raffe



Village Roadshow Limited

ABN 43 010 672 054

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 9.00 a.m. Melbourne time on Tuesday 15 November 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Village Roadshow Limited hereby appoint

☐ the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Village Roadshow Limited to be held at Cinema Number 8, Village Cinemas Jam Factory, 500 Chapel Street, South Yarra, Victoria on Thursday 17 November 2016 at 9.00 a.m. Melbourne time and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3, 4, 5(a), 5(b) and 6 (except where I/we have indicated a different voting intention below) even though Items 3, 4, 5(a), 5(b) and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Item 6 where the Chairman of the Meeting intends to vote against.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3, 4, 5(a), 5(b) and 6 by marking the appropriate box in step 2 below.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 2(a) Re-election of Mr Graham W Burke as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2(b) Re-election of Mr David Evans as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2(c) Election of Ms Jennifer Fox Gambrell as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 2016 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Renewal of Non-executive Directors' Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5(a) Issue of Shares to the Finance Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5(b) Financial assistance to be given to the Finance Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Contingent Business (if Item 3 incurs second strike)

Item 6 Holding a Spill Meeting (if required) The Directors recommend you vote AGAINST Item 6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Item 6 where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

_____ / /
Date

VRL

215789A

Computershare +

**VILLAGE ROADSHOW LIMITED GROUP
CORPORATE GOVERNANCE STATEMENT**

June 2016

2016 CORPORATE GOVERNANCE STATEMENT

The following Statement, approved by the Company's Board of Directors, sets out a summary of the Company's corporate governance practices as at 30 June 2016 that were in place during the financial year and how those practices relate to the Third Edition of Corporate Governance Principles and Recommendations issued by the Australian Securities Exchange Limited ("ASX") Corporate Governance Council ("ASX Recommendations").

To ensure high standards of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where appropriate. However the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result for the Company given its particular circumstances and structure.

Board of Directors – Role and Responsibilities

The role of the Board is to provide leadership and direction to management and to set with management the aims, strategies and policies of the Company. It is also responsible for the overall corporate governance of the Company.

In particular, as set out in the Board's Charter, the functions and responsibilities of the Board include:

- Final approval of corporate strategy, annual budgets and performance objectives developed by the Co-CEOs and management, and monitoring the implementation of that strategy;
- Reviewing and ratifying the risk management and internal control framework, codes of conduct and legal and other internal compliance programs;
- Approval and monitoring of significant capital expenditure, acquisitions and divestitures in excess of A\$10 million or in any new business of strategic importance or direction to the Company regardless of size;
- Ensuring that management is appropriately and adequately resourced, and monitoring and reviewing the performance of management;
- Approval of dividends, dividend policy and any other capital management initiatives developed by management involving returns to shareholders;
- Approval and monitoring of significant financial and other reporting;
- Appointment and removal of the Co-Chief Executive Officers; and
- Monitoring compliance with corporate governance policies and assessing the appropriateness and adequacy of corporate governance policies, and implementing changes or additions that are deemed appropriate for the Company.

In fulfilling this responsibility, the Board is supported by a number of Committees whose composition is reviewed periodically. The charters and responsibilities of these Committees during the year are outlined below with full details of all relevant charters and Board policies included in the Corporate Governance section of the Company's website at www.villageroadshow.com.au.

In addition the Company has an Executive Committee comprised of senior management and the Company's two Executive Directors, namely Mr. Robert Kirby and Mr. Graham Burke. All Board Committees provide recommendations to the Board, however the Executive Committee has specific powers delegated to it by the Board. With the exception of the Executive Committee, all Committees comprise only Independent Directors, and all are suitably resourced.

Board of Directors – Composition and Membership

The composition of the Board is determined in accordance with the following principles:

- The Board shall comprise at least six Directors with an appropriate balance of Executive, Non-executive, Independent and Shareholder Directors, the definitions of which are set out below.
 - Executive Director:* One in full time employment with the Company or a subsidiary within the Village Roadshow Group, either directly or through a consultancy, but excluding an executive of the Village Roadshow Group appointed as an alternate director for one or more Directors to the VRL Board;
 - Non-executive Director:* One who is not in full time employment with the Company;
 - Independent Director:* One who is not a substantial shareholder nor associated directly with a substantial shareholder, is non-executive and is not or has not been employed in an executive capacity nor principal of a material professional advisor or consultant within the last two years, is not a material supplier or customer, has

no material contractual relationship with the Company other than as a director, is free from any interest or business or relationship which could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company and who derives minimal or zero income from the Company (excluding Directors' Fees) compared to income from other sources, regardless of the length of service of the Director;

Shareholder Director: One with a direct, indirect or representative shareholding interest exceeding five percent of the total issued ordinary capital of the Company;

- The Board shall comprise Directors with an appropriate range of qualifications and specific industry expertise that will enable them to make a contribution to the deliberations of the Board.
- The Board shall meet at least six times per year. Meeting guidelines ensure that Directors are provided with all necessary information to participate fully in an informed discussion of all agenda items.
- Informal meetings of Independent Directors are held to discuss matters of mutual interest when necessary.

Where the Board has appointed Co-Chairs, the Chair of any Board meeting shall be determined by the meeting.

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

<u>Name</u>	<u>Role</u>	<u>Appointed</u>	<u>Classification</u>
Robert G. Kirby	Co-Chair & Co-CEO	29 November 2013	Shareholder, Executive
Graham W. Burke	Co-Chair & Co-CEO	29 November 2013	Shareholder, Executive
John R. Kirby	Deputy Chair	1 July 2012	Shareholder, Non-executive
Peter M. Harvie *	Non-executive Director	20 June 2000	Independent
Peter D. Jonson ^	Non-executive Director	24 January 2001	Independent
David J. Evans	Non-executive Director	2 January 2007	Independent
Robert Le Tet	Non-executive Director	2 April 2007	Independent
Timothy M. Antonie	Non-executive Director	1 December 2010	Independent
Jennifer Fox Gambrell	Non-executive Director	19 November 2015	Independent

^ Retired at 2015 Annual General Meeting on 19 November 2015

* Retired on 3 February 2016.

Ms. Julie Raffe is an alternate director for Mr. Robert Kirby and Mr. Graham Burke appointed on 15 May 2012 and is not considered to be an additional Director of the Board in this Statement.

The skills, experience and expertise of each Director are set out in the Directors' Report, as is the attendance of Directors at meetings of the Board and its various Committees during the year.

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

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

Membership of the Board is the exclusive responsibility of the full Board of Directors, subject to the approval of the Company's shareholders in general meeting, based on recommendations from the Nomination Committee and the desired skill sets for potential directors as recommended by the Corporate Governance Committee. Appropriate checks of director candidates are carried out by the Nomination Committee prior to any decision by the Board to appoint any person a director of the Company. During the year the duties of the Nomination Committee were merged into the Corporate Governance & Nomination Committee.

All Directors and Key Management Personnel have a written agreement with the Company, including for incoming Directors a formal Letter of Appointment and a consent to act as a Director. Incoming Directors are also provided with such appropriate induction as may be required by that Director, including copies of the Company's various charters, policies and governance documentation as well as the entering into of an appropriate deed of indemnity, insurance and access with the Company relating to their service as a Director of the Company and requiring a Standing Notice of the Director's material personal interests. Appropriate ongoing professional development opportunities are also available for Directors.

The Company provides a statement to shareholders regarding Board support for candidates standing for election or re-election as a Director and identifies those considered by the Board to be an Independent Director, together with all relevant material information about the candidates.

All Directors have direct access to the Company Secretaries who are accountable to the Board and are appointed and removed by the Board. All Directors are entitled to seek independent professional advice at the Company's expense, subject to the prior approval of one of the Co-Chairs, such approval not to be unreasonably withheld.

The Co-Chairs of the Company are Executive Directors. This is at variance to ASX Recommendations. The Board is of the opinion that the executive roles of the incumbent Co-Chairs in the day to day operations of the Company add significant value to the Company due to their considerable and complementary skills and experience in the Company's businesses.

As the Co-Chairs of the Board are not Independent Directors, the Board of Directors considers it to be useful and appropriate to designate an Independent Non-executive Director to serve in a lead capacity to co-ordinate the activities of the other Non-executive Directors. Mr. D.J. Evans has held the role of Lead Independent Director since 1 July 2014, having succeeded Dr. P.D. Jonson who had held the position since November 2008.

Audit & Risk Committee

In accordance with its Charter, all three members of the Audit & Risk Committee are Independent Directors with appropriate skills, expertise and experience. The Chair of the Committee is an Independent Director who is not one of the Co-Chairs of the Board. The Audit & Risk Committee reports directly to the Board.

The role and responsibilities of the Audit & Risk Committee include:

- Reviewing all external reporting (published financial statements including interim statements and year-end audited statements, preliminary announcement of results prior to publication) with management and the external auditors prior to their approval by the Board, focusing in particular on:
 - Significant changes in accounting policies and practices;
 - Major judgmental areas and significant audit adjustments;
 - Adequacy and reliability of financial information provided to shareholders; and
 - Compliance with statutory and ASX reporting requirements;
- Discussing any matters arising from the audit with the external auditor;
- Reviewing the selection, performance, independence and competence of the external auditor - Ernst & Young was appointed on 12 April 1989 and since 2003 the audit partner is rotated every five years;
- Approving the Internal Audit plan annually and assessing the performance of the internal audit function;
- Receiving reports from the Management, Risk and Compliance Committee and assessing the adequacy and effectiveness of the Company's internal controls and risk management and compliance framework including the appropriate insurance principles for the Company's businesses; and
- Discussing the scope and effectiveness of the audit with the external auditor.

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

<u>Name</u>	<u>Role</u>	<u>Appointed</u>
Robert Le Tet	Independent Director, Chair from May 2008	April 2007
Peter D. Jonson	Independent Director	February 2001 to November 2015
Timothy M. Antonie	Independent Director	December 2010
Jennifer Fox Gambrell	Independent Director	November 2015

The qualifications and experience of the members of the Committee are set out in the Directors' Report, as are the Directors' attendance at Committee meetings during the year.

The Audit & Risk Committee meets at least three times per year and, in addition to verbal reports by the Committee Chair to the Board, the minutes of the Committee are provided to all Directors of the Company.

The Co-Chief Executive Officers and the Finance Director provide written representations to the Board under section 295A of the *Corporations Act 2001* that, in their opinion, the Company's financial reports for a period present a true and fair view of the Company's financial condition and the operational results and are in accordance with relevant accounting standards and that the financial records of the Company have been properly maintained and that their opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively in all material respects.

A review of the Company's risk management framework was conducted for the year ended 30 June 2016 confirming that the framework remained sound and appropriate and a signed section 295A declaration was received by the Board for that financial period.

The Committee invites the audit partner to its meetings and senior Company executives as required. In addition the Committee meets with the external auditor without management being present and the auditor is provided with the opportunity, at their request, to meet the Board of Directors without management being present.

Remuneration Committee

In accordance with its Charter, all three members of the Remuneration Committee are Independent Directors including the Chair of the Committee. The Committee invites the Co-Chief Executive Officers and/or Finance Director to meetings when requiring input on management and divisional performance.

The Committee's Charter makes it responsible for determining and reviewing compensation arrangements for and performance evaluation of the Company's Executive Directors and senior managers at least annually against nominated criteria, with the overall objective of motivating and appropriately rewarding performance. The decisions are made in line with the Company's present circumstances and goals to ensure shareholders benefit from the attraction and retention of a high quality Board and senior management team.

The remuneration strategy, policy, objectives and structure of the Company's remuneration arrangements and remuneration outcomes for the year are set out annually in the Company's Remuneration Report, as part of the Directors' Report to shareholders.

The Remuneration Committee is responsible for the compensation arrangements of all senior divisional and corporate executives. This includes any proposed equity allotments or shadow equity plans, profit share arrangements or bonus payments. The Company's Key Management Personnel ('KMP') are precluded from hedging any incentive remuneration, including any equity awards granted to them, under the Company's KMP Incentive Remuneration Hedging Policy.

The Executive Directors are responsible for recommending the compensation arrangements for senior divisional and corporate executives for approval by the Committee.

The Company and the Committee periodically obtain independent advice from external consultants and utilise benchmarks from comparable organisations.

The Co-Chief Executive Officers have the opportunity to participate in the Company's bonus scheme where specified criteria are met based on achievement by the Company of performance metrics in relation to profitability, cash flow and other performance indicators, and senior executives have similar performance targets as well as individual executive performance criteria.

The Company considers that the remuneration paid to Directors and senior executives is reasonable and fair having regard to comparable companies and the performance and responsibilities of each respective Director and senior executive.

When there is a material or significant variation in the contractual or compensation arrangements of the Company's Executive Directors, as appropriate, this is promptly disclosed to ASX under the Company's Continuous Disclosure Policy.

The Committee meets at least twice per year.

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

<u>Name</u>	<u>Role</u>	<u>Appointed</u>
Peter D. Jonson	Chair, Independent Director	July 2007 to November 2015
Timothy M. Antonie	Independent Director	December 2010, Chair from November 2015
David J. Evans	Independent Director	November 2014
Jennifer Fox Gambrell	Independent Director	November 2015

The total cash remuneration of Non-executive Directors (being Directors' Fees paid to anyone not in an Executive capacity), is distinguished from that of Executive Directors and is approved in aggregate by shareholders in general meeting from time to time. The aggregate Non-executive Director fee pool was set at \$1.3 million per annum at the Company's 2012 annual general meeting.

During the year, Non-executive Directors received \$100,000 per annum, payable quarterly in arrears, and were paid \$20,000 per annum for each Board Committee on which they served, other than for the Nomination Committee whose members were paid \$10,000 per annum. Board Committee Chairs are paid an additional \$10,000 per annum and the Lead Independent Director and Deputy Chairman are paid an additional \$30,000 per annum in recognition of their increased workload. Non-executive Directors may also receive additional fees for serving on Boards of significant subsidiary or associated companies.

The Company does not have, and never has had, a retirement benefit scheme for Non-executive Directors, other than any individual statutory superannuation benefits which are included as part of their total Director's Fee remuneration.

In addition, the Company encourages Executive and Non-executive Directors to hold shares in the Company. Subject to any necessary approvals as may be required by law or ASX Listing Rules, Directors may be invited from time to time to participate in equity plans offered by the Company. In March 2011 shareholders approved the Directors' Share Plan, which was renewed at the Company's 2013 annual general meeting, which enabled all or a specified portion of Director's Fees to be sacrificed into shares in the Company. The shares are allotted based on the weighted average share price applicable during the first week of the third month of each quarter.

The various share and option entitlements of all Directors and any changes to those holdings are advised to ASX in accordance with the Listing Rules and *Corporations Act 2001* requirements and are set out in the Directors' Report.

Nomination Committee

In accordance with its Charter, all three members of the Nomination Committee are Independent Directors including the Chair of the Committee. In November 2015 the duties of the Nomination Committee were merged into the Corporate Governance & Nomination Committee.

The responsibilities of the Nomination Committee include recommending new nominees to the Board. Whilst no formal Board skills matrix is used, which is at variance to ASX Recommendations, the Committee takes into account the required skill set, appropriate diversity considerations, the relevant industry expertise and experience of potential candidates, as recommended by the Corporate Governance Committee, to complement that of existing Board members.

The Nomination Committee meets at least annually and the Board is appraised by the Chair as appropriate on any relevant developments. The Board has recognised that based on its size and composition, the Nomination Committee may meet informally, on an 'as needs' basis as and when a suitable candidate may be available for nomination.

Given the Company's ownership structure and the composition of the Board, the assessment of the Board's overall performance and its own succession plan is conducted informally by the Co-Chairs and Directors on an ad hoc basis. Whilst this process is at variance to ASX Recommendations, the Board considers that this review methodology for the appointment of Directors to the Board and of the performance of the Board has served the Company well over many years and that a more prescriptive process is not appropriate.

All relevant appropriate checks of director candidates, such as character, experience, education, criminal record and bankruptcy history are carried out by the Nomination Committee prior to any decision by the Board to appoint any person as a Director of the Company.

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

<u>Name</u>	<u>Role</u>	<u>Appointed</u>
Peter D. Jonson	Independent Director, Chair	July 2014 to November 2015
Robert Le Tet	Independent Director	May 2008 to November 2015
David J. Evans	Independent Director	July 2007 to November 2015

Corporate Governance Committee

The Company introduced a Corporate Governance Committee in 2012 which comprises three Independent Directors, the Chair of which may not be the Chair or Co-Chair of the Board or of the Audit & Risk Committee. The Committee meets at least twice per year. In November 2015 the duties of the Nomination Committee were merged into the Corporate Governance & Nomination Committee.

In accordance with its expanded charter, the Committee's primary role and purpose is to provide oversight on behalf of the Board to ensure the Company and the VRL group of companies have appropriate governance structures and procedures in place and to monitor the composition of the Board of Directors in light of the Company's future needs and to periodically make recommendations to the full Board, whilst noting that all members of the Board have collective accountability for the good governance of the Company and the Group.

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

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

and from November 2015 included:

- Monitor changes in the corporate and/or regulatory environment and to report to the Board on any changes to market expectations of the compositions of Boards of Directors;
- Recommend to the VRL Board new nominees to the Board, taking into account the required skill set, industry expertise, diversity and relevant experience to complement existing Board members; and
- Guide periodic assessments of the Board's overall performance through an appropriate evaluation process.

The Board considers that its current size and composition, including a majority of independent non-executive directors, is appropriate for the Company however a Board skills matrix could be reconsidered in the future should the need arise. All relevant appropriate checks of director candidates, such as character, experience, education, criminal record and bankruptcy history are carried out by the Committee prior to any decision by the Board to appoint any person as a Director of the Company.

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

<u>Name</u>	<u>Role</u>	<u>Appointed</u>
David J. Evans	Chair, Independent Director	May 2012
Peter D. Jonson	Independent Director	May 2012 to November 2015
Timothy M. Antonie	Independent Director	May 2012
Robert Le Tet	Independent Director	November 2015

Executive Committee

The Executive Committee monitors and reports on the major risks affecting each business segment and, subject to approval of the full Board, develops strategies to mitigate these risks. The Executive Committee deals with all other matters apart from those matters specifically reserved for the Board, or its Audit & Risk Committee, Corporate Governance Committee, Nomination Committee and Remuneration Committee.

The key functions and responsibilities of the Executive Committee include:

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

- Establishment of committees to monitor and report on all aspects of risk management including insurance, environmental issues and health and safety matters;
- Review cash flow projections, banking mandates, covenant compliance, and gearing;
- External communication with the investment community and external stakeholders;
- Treasury responsibility including advising the Board on liquidity, currency and interest rate risk and credit policies; and
- Review the Company's code of conduct and corporate governance compliance.

The Executive Committee and various Divisional Boards of the Company's subsidiaries and associated entities derive their mandate and operate in accordance with the Group's formal Delegation of Authority documents. The Delegation of Authority documents are reviewed and updated as required on an annual basis, with major changes approved by the Board upon the recommendation of the Company's Corporate Governance Committee.

The Committee comprises all Executive Directors of the Company and specified corporate management nominated by the Co-CEOs from time to time. All members of the Executive Committee are the Company's specified Key Management Personnel for the purposes of the *Corporations Act* definition. The Committee meets on an as required basis.

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

<u>Name</u>	<u>Title</u>	<u>Appointed</u>
Graham W. Burke	Co-Chair & Co-CEO	1 July 1990
Robert G. Kirby	Co-Chair & Co-CEO	5 July 2001
Julie E. Raffe	Finance Director	28 September 1992
Simon T. Phillipson	General Counsel	13 May 1996
Clark J. Kirby	Chief Operating Officer	1 December 2010
Alistair Bennallack	Chief Financial Officer	26 October 2015

Shareholder Meetings and Communication

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

- The convening of meetings;
- The form and requirements of the notice of meeting;
- Chair and quorums; and
- Voting procedures, proxies, representatives and polls.

Notices of meetings of shareholders will comply with all legal requirements and current best practice guidelines and the format of resolutions will be clear, concise and in plain English. Distinctly separate issues will be presented in separate motions and only combined into one resolution where the subject matter requires it to be so presented.

The format of proxies will be such that shareholders will be able to clearly indicate their voting intentions, and full directions for the completion of proxies will be contained on both the proxy form itself and in the notice of meeting, including any relevant voting exclusion statements. The constitution sets out the circumstances in which a poll may be called by the Chair or by shareholders whether present in person or by proxy or by representative.

The Chair of meetings of shareholders shall allow a reasonable opportunity for shareholders to ask questions on those matters on the agenda that are before shareholders for consideration and to enable informed participation and voting by shareholders in the meeting.

In addition, the external auditor is required to attend the Company's annual general meeting and be available to answer questions relevant to the conduct of the audit and the auditor's report on the Company's financial statements. This will include any written questions forwarded to the Company more than one week prior to the meeting.

The Company's corporate website at www.villageroadshow.com.au contains relevant information for shareholders about the Company, its operations, corporate profile and structure as well as a clearly marked corporate governance section. In addition, two-way communication with shareholders is facilitated via email queries to the Company through the website, or by facsimile, by mail or by telephone.

All investor briefing information, including on annual or half-yearly results, is released to ASX by the Company in advance of any briefings and is then posted on the Company's website to enable equivalent access by all

investors. Where presentations to investors or analysts occur, either as a group or in one-on-one briefings, the presentation is uploaded to the corporate website before the presentation commences. In addition where there is any material information referred to in the presentation that has not been previously made available to the market, the presentation is released through the ASX prior to the commencement of the presentation.

The Company provides shareholders with the option of electronic communication, including via email, and places the Company's annual report on its website as the principal distribution method to shareholders, affording them the option of receiving a printed copy should they so request one.

Continuous Disclosure

The Board of Directors is responsible for setting the Company's continuous disclosure policy. The Company supports ASX Recommendations and Australian Securities and Investment Commission's Regulatory Guide 62 "Better Disclosure for Investors" guidance principles, and believes its practices are consistent with these guidance principles and the revised ASX Guidance Note 8. In support of these principles, the Company has procedures in place to ensure that it meets its reporting and continuous disclosure obligations.

The Company's nominated Communications Officers are responsible for liaising with ASX and for ensuring the Company's compliance with its legal and ASX reporting and disclosure obligations.

No communication is permitted to any external third party about an announcement until confirmation that the communication has first been released to the market has been received from ASX. Once confirmation has been received, the Company provides a copy of its release on its corporate website as soon as possible.

Communication by the Company of material information relevant to the investment community, including communications to shareholders, brokers, analysts and media is the responsibility of the Co-Chairs and Co-CEOs and the Finance Director or their delegates, or in appropriate circumstances, the Lead Independent Director. In this way external investor communications by the Company are through a limited number of authorised spokespersons to ensure the consistency of information provided and to safeguard against inadvertent disclosure of price sensitive information.

Communications by the Company are monitored by the Company Secretaries and Communication Officers to ensure that no material information has been inadvertently disclosed that has not been previously released via ASX. In particular, the Communications Officers monitor investor communications so that no material price-sensitive information is provided in discussions with broking analysts, investors or to the media unless it has first been released through ASX.

Corporate Code of Conduct

The Board of Directors insist on the highest ethical standards from all officers and employees of the Company and are vigilant to ensure appropriate corporate professional conduct at all times.

Standards setting out the Company's Code of Conduct by which Employees are expected to act are contained in the Employee Guide and formal contracts and letters of employment. They include:

- Insider trading and employee security trading;
- Conflicts of interest;
- Anti-fraud and corruption policy and whistleblower processes;
- Use of market power and pricing practices;
- Confidentiality and Privacy Policy;
- Compliance with Laws and Regulations;
- Employment practices including Occupational Health & Safety; and
- Guest safety and maintenance, quality and safety of goods and services.

All Directors and employees have an obligation to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company does not pay fines and penalties of a personal nature for Directors or employees.

All purchases of major consumables are obtained by all business segments of the Company by a periodic competitive tendering process.

Corporate Social Responsibility, Sustainability and Diversity

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

The Company is committed to corporate environmental sustainability and corporate social responsibility as part of the Company's business objectives and operating philosophy. The Company's Environmental Sustainability Policy is supported and augmented by tailored policies for each operating division where the relevant initiatives are embedded and the activities are carried out.

The Company responds to investors' requests for information through Carbon Disclosure Project and reports annually under the *National Greenhouse and Energy Reporting Act*, a copy of which is provided on the Company's website at www.villageroadshow.com.au, where further details and annual updates on the Company's Environmental Sustainability and community and charitable endeavours are provided.

Building on the Company's existing human resources and equal opportunity framework, the Company is committed to being a diversity leader in the entertainment and tourism sector by providing a diversity inclusive workplace, and incorporating diversity into its business practices through its corporate social responsibility initiatives and the adoption of its resolution options model to address any inappropriate behaviour. In addition to the internal disclosure of the Company's diversity policy, it is also made available on the Company's website.

Whilst informal work place flexibility practices have been operating within the Company for many years, to ensure consistency and fairness in application the Company undertook a flexible work practices survey during 2012 with the aim of determining the extent to which the Company is meeting the needs of its diverse workforce and to ascertain the scope for change where possible. The voluntary, anonymous, online survey was well received by employees with over 35% responding. The results have informed the development of flexible practices which have been implemented across the group.

At June 2016 the proportion of women employed in Australia across the Village Roadshow group was 55.3% (2015: 56.8%) with the Company's senior management comprising 22.9% females (2015: 19.6%). The current membership of the Board is outlined above. The Company has set itself the target of increasing the proportion of female senior management employees to 33% by the end of 2021.

For the purposes of this gender reporting, the Company's definition of 'senior management' employees is Category 5 and 6 executives as categorised by the job seniority career level bands in use by the Company since 2010 and devised for the Company by the independent consultant Mercer Australia Pty. Ltd.

In accordance with the requirements of the *Workplace Gender Equality Act 2012* the Company lodged its annual compliance report in May 2016 with the Workplace Gender Equality Agency. A copy of the report can be accessed from the Company's website at www.villageroadshow.com.au.

Securities Trading Policy

All Directors have a written contractual obligation to the Company to immediately advise the Company of all changes to their interests in shares, options and debentures, if any, in the Company and its associates for the timely reporting of any changes to ASX by the Company Secretaries.

In addition to all Directors of the Company, all members of the Executive Committee and other key corporate and divisional executives of the Village Roadshow group who are or may be involved in material transactions concerning the Company are included in the definition of "Designated Officers". These Designated Officers and their related parties are precluded from dealing in securities of the Company during the periods one month prior to the release date of the half-year profit announcement and one month prior to the release date of the full financial year profit announcement, until commencement of trading on the day after the relevant announcement (a "Closed Window").

Outside of those Closed Window periods, no Designated Officers may deal in securities of the Company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Prior written approval must be obtained from the Company Secretaries by any Designated Officer who wishes to deal in the Company's securities, and legal advice will be obtained by the Company Secretaries on behalf of the Designated Officer in circumstances where any doubt exists.

In addition, the Company's Key Management Personnel ("KMP"), including all Directors, are precluded from dealing in securities in the Company during any Closed Window or other 'black out' period where that KMP is in possession of any important unpublished information about a potential transaction which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Prior written permission must be obtained by such KMP from one of the Co-

Chairmen via a Clearance Notice to trade in the Company's securities and for trading by the Co-Chairmen from the Lead Independent Director. The Company's Security Trading Policy was provided to ASX in December 2010 and is available on the Company's website.

All Directors of the Company, and of the Village Roadshow group of companies ('the Group'), are required to provide a standing notice, updated as appropriate, giving details of the nature and extent of their 'material personal interests' in the affairs of the Company and the Group upon appointment as a Director. All notices are tabled and recorded in the minutes of the Directors' meeting and entered into a register which is open for inspection by all Directors, and is available to all future incoming Directors.

The Company has an incentive remuneration hedging policy which prohibits the hedging by any member of the Company's KMP and their closely related parties of any incentive remuneration, including any equity award, which limits the exposure of that KMP officer to economic risk relating to their unvested or restricted remuneration. The incentive remuneration hedging policy is available on the Company's website.

Risk Management

The Board is responsible for the approval and review of the group's risk management and internal controls framework and policies in accordance with its Group-wide Risk Management Policy. However management of risk and the implementation of appropriate controls to mitigate such risks is the responsibility of management.

To assist the Board in discharging its responsibilities in relation to risk management, the Board has delegated the recognition and management of risk to the Audit & Risk Committee in accordance with its Charter.

The Company's formal Risk Management Methodology incorporates a holistic and structured approach to the identification and mitigation of business risks by key business units. This standardised risk approach covers strategic, operational, reputational, health, safety and environment, compliance and financial risks of each of the Company's strategic business units. The accountability for managing such key risks rests with the CEO and CFO of each business unit, including Corporate Head Office. In accordance with the Risk Management Methodology, formal risk assessments are conducted at least annually, with reporting to the Audit & Risk Committee on major risks and action plans.

This internal controls process includes reporting on all material financial and non-financial risks across all business units. Detailed sign-offs by key process owners and internal control and management questionnaires are completed by all business units bi-annually, including as part of the Company's half-year and full-year financial reporting procedures. To the extent that the Company has any material exposures to economic, environmental and social sustainability risks, these are outlined annually in the Company's operating and financial review as part of the Directors' Report to shareholders. As noted above, annual updates on the Company's sustainability and community and charitable endeavours are provided on the Company's website.

The Company's financial structure includes a number of covenants to various lenders, requiring a structured level of monitoring and management to ensure compliance. The Company's Treasury Risk Management Policy articulates the recognition, measurement and management of interest rate risk, foreign exchange exposure, hedging, credit risk, liquidity levels and monitoring of economic and financial conditions. The parameters of all policies, including the Treasury Risk Management Policy, are periodically reviewed by the Audit & Risk Committee to ensure they remain appropriate and address current issues.

The Company's Group Internal Audit function, which is independent of all operating business units, performs regular internal audits on key areas of risk within the business to verify that the internal control framework is adequate and remains effective. In addition, projects conducted by Internal Audit also monitor the compliance with policies adopted by the Board, including compliance with the relevant Delegation of Authority documents to verify that the policies adopted by the Board are implemented.

The Internal Audit Plan, agreed with management, is approved by the Audit & Risk Committee. A summary of key internal audit findings, and control weaknesses not adequately addressed by management, are reported directly to the Audit & Risk Committee. In addition independent external projects are conducted on a regular basis by specialist contractors reviewing and making recommendations for improvement on specific areas in key businesses within the Company.

The Company's Management, Risk and Compliance Committee monitors the implementation and effectiveness of sound governance policies and procedures across the Group in line with ASX Recommendations. Such policies and procedures include the risk management and internal controls

framework including the appropriate insurance policies for the insurable risks associated with the Company's businesses, the code of conduct and the compliance process adopted by management.

This Committee is supported by various divisional Management, Risk and Compliance Committees with divisional management having on-going day-to-day control of business unit risks and the implementation of the necessary action plans. These divisional Management, Risk and Compliance Committees report at least bi-annually on their divisional risk management, compliance programs and governance processes appropriately tailored to their specific industries, to provide effective management of all relevant matters.

The responsibilities of the Committee include the formulation of annual Compliance Programs and the co-ordination and monitoring of such programs to provide timely implementation and review of action plans. The Committee reports at least bi-annually on all material aspects of such risk and compliance programs to the Audit & Risk Committee, and in writing to the Co-Chief Executive Officers and Finance Director on the appropriateness and effectiveness of these programs.

During the financial year the members of this Committee were:

Shaun L. Driscoll (Chair)
Simon T. Phillipson (Deputy Chairman)
Clark J. Kirby
Peter A. Harris
Alistair W. Bennallack
Steven Boxshall
Julie E. Raffé (by invitation)

The Board also receives bi-annually a written, signed section 295A declaration from the Co-Chief Executive Officers and the Finance Director that the financial statements in their opinion give a true and fair view in all material respects of the Company's financial condition and that its operational results are in accordance with accounting standards, that this statement is based on a sound system of risk management and internal compliance and control which implement the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Compliance with ASX Corporate Governance Council Recommendations

The Company provides a copy of the ASX Appendix 4G "Key to Disclosures Corporate Governance Council Principles and Recommendations" on the Company's website at www.villageroadshow.com.au in the Corporate Governance section which provides a convenient reconciliation of the ASX Recommendations against the Company's corporate governance practices.

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

VILLAGE ROADSHOW LIMITED

ABN / ARBN

43 010 672 054

Financial year ended:

30 JUNE 2016

Our corporate governance statement² for the above period above can be found at:³

- ☐ These pages of our annual report:
- ☒ This URL on our website: www.villageroadshow.com.au

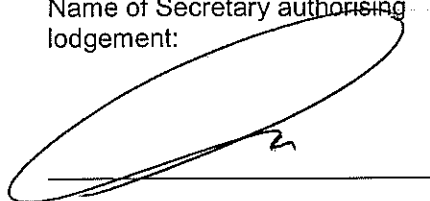
The Corporate Governance Statement is accurate and up to date as at 30 June 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 14 OCTOBER 2016

Name of Secretary authorising
lodgement:

SHAUN L. DRISCOLL



¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Corporate Governance Statement	
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at www.villageroadshow.com.au</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> at www.villageroadshow.com.au</p>	
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>		<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Remuneration Report</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Remuneration Report</p>	

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.villageroadshow.com.au</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> in our Directors' Report</p>	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.		<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
2.4	A majority of the board of a listed entity should be independent directors.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.		<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement	

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.villageroadshow.com.au</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Directors' Report</p>	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement; and <input checked="" type="checkbox"/> at www.villageroadshow.com.au	
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at www.villageroadshow.com.au	
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.villageroadshow.com.au</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> in our Directors' Report</p>	
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> in our Directors' Report</p>	

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.villageroadshow.com.au</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> in our Directors' Report</p>	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> in our Remuneration Report</p>	
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> at www.villageroadshow.com.au; and</p> <p><input checked="" type="checkbox"/> in our Remuneration Report</p>	