

VILLAGE ROADSHOW LIMITED
ABN 43 010 672 054

FINANCIAL REPORT
30 JUNE 2010

VILLAGE ROADSHOW LIMITED
ABN 43 010 672 054
Directors' Report

Your Directors submit their report for the year ended 30 June 2010.

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 of the Company is located at Village Roadshow Studios, Pacific Motorway, Oxenford, Queensland 4210, with the principal administrative office at Level 1, 500 Chapel Street, South Yarra, Victoria 3141.

DIRECTORS AND SECRETARIES

The names of the Directors and Secretaries of the Company in office during the financial year and until the date of this report are:

Directors:

Robert G. Kirby (Chairman)	D. Barry Reardon
John R. Kirby	Peter D. Jonson
Graham W. Burke	David J. Evans
Peter M. Harvie	Robert Le Tet

Company Secretaries:

Philip S. Leggo
 Shaun L. Driscoll

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

Directors:

Robert G. Kirby

Chairman, Executive Director, Age 59

First joined the Board on 12 August 1988, reappointed 5 July 2001. Holds a Bachelor of Commerce with over 30 years experience in the entertainment and media industry. Through the launch of Roadshow Home Video, Mr. Kirby was the driving force behind the Australian video revolution of the 1980's and 1990's. He is a pioneer of new cinema concepts in both Australia and internationally and has been at the forefront of Village Roadshow's successful diversification into theme parks, radio and film production. Chairman of Village Roadshow Limited 1994 to 1998, 2002 to 2006 and from June 2010. Deputy Chairman Village Roadshow Limited 1990 to 1994, 1999 to 2002 and 2006 to June 2010. Director Austereo Group Limited and Chairman of Village Roadshow Corporation Pty Ltd. Currently Deputy Chair of Peter MacCallum Cancer Foundation, Victoria Board of Directors and Member of Patrons Council, Epilepsy Foundation and Patron of Victorian Arts Centre.

Member Executive Committee
 Chairman Nomination Committee

Other Listed Public Company Directorships in previous 3 years:
 Austereo Group Limited, since 19 June 2001

John R. Kirby

Deputy Chairman, Executive Director, Age 63

Member of the Board since 12 August 1988. Holds a Bachelor of Economics and is a Certified Practising Accountant with over 40 years experience in the entertainment industry. Chairman Village Roadshow Limited 1990 to 1994, 1999 to 2002 and 2006 to June 2010. Deputy Chairman of Village Roadshow Limited 1994 to 1998, 2002 to 2006 and from June 2010. Director Austereo Group Limited and Village Roadshow Corporation Pty Ltd.

Member Executive Committee

Other Listed Public Company Directorships in previous 3 years:
 Austereo Group Limited, since 19 January 2001

Graham W. Burke

Managing Director, Executive Director, Age 68

Member of the Board and Managing Director since 9 September 1988. Managing Director Village Roadshow Limited, a position he has held since 1988 with unrivalled experience in the entertainment and media industries. Mr. Burke has been one of the strategic and creative forces behind Village Roadshow's development and founded Roadshow Distributors with the late Roc Kirby. He was also a founding director of radio station 2Day FM, and spent four years as the original Commissioner of the Australian Film Commission. Director Austereo Group Limited and Village Roadshow Corporation Pty Ltd.

Chairman Executive Committee
 Member Remuneration Committee

Other Listed Public Company Directorships in previous 3 years:
 Austereo Group Limited, since 19 January 2001

VILLAGE ROADSHOW LIMITED
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Directors' Report (continued)

DIRECTORS AND SECRETARIES (continued)

Directors (continued)

Peter M. Harvie

Executive Director, Age 71

Member of the Board since 20 June 2000. Executive Chairman, Austereo Group Limited with over 45 years experience in the advertising, marketing and media industries. First entered radio in 1993 as Managing Director of the Triple M network before becoming Managing Director of the enlarged group following its merger with Austereo in 1994. Founder and Managing Director of the Clemenger Harvie advertising agency from 1974 to 1993. Director Clemenger BBDO 1975 to 1992. Director Mazda Foundation Limited, Australian International Cultural Foundation and the Australian National Maritime Museum.

Member Executive Committee

Other Listed Public Company Directorships in previous 3 years:
Austereo Group Limited, since 16 January 2001

Peter D. Jonson

Independent Non-Executive Director, Age 64

Member of the Board since 24 January 2001 and Lead Independent Director from 26 November 2008. Holds a Bachelor of Commerce and Master of Arts degrees from Melbourne University and Ph D from the London School of Economics. Following a 16 year career with the Reserve Bank of Australia including 7 years as Head of Research, entered the private sector with roles at leading Australian financial institutions. Positions included Head of Research, James Capel Australia; Managing Director, Norwich Union Financial Services; and Chairman, ANZ Funds Management. Founding Chair Australian Institute for Commercialisation Ltd (2002-2007) and Chair of Cooperative Research Centre Committee (2005-2010).

Chairman Remuneration Committee
Member Audit & Risk Committee

Other Listed Public Company Directorships in previous 3 years:
Bionomics Ltd, from 11 November 2004 to November 2009
Pro Medicus Limited, since October 2000
Metal Storm Limited, from February 2006 to February 2009.

D. Barry Reardon

Independent Non-Executive Director, Age 79

Member of the Board since 24 March 1999. Holds a Bachelor of Arts, Holy Cross College and MBA, Trinity College. Over 40 years in the motion picture business. Formerly Executive Vice President and Assistant to the President, Paramount Pictures. Between 1975 and 1978, Mr. Reardon held the positions of Executive Vice President, General Cinema Theatres and between 1978 and 1999 was President, Warner Bros. Distribution. Serves on the board of various United States companies and organisations and is a Director of Village Roadshow Pictures International Pty Ltd.

Member Remuneration Committee
Member Audit & Risk Committee

Other Listed Public Company Directorships in previous 3 years:
Sundance Cinema Corporation Inc, since January 2006

David J. Evans

Independent Non-Executive Director, Age 70

Member of the Board since 2 January 2007. Over 40 years international business experience in media and entertainment industries including CEO of GTV Channel Nine in Melbourne, President, COO at Fox Television and Executive Vice President News Corporation, both in the United States, including Sky Entertainment Services Latin America. Most recently President and CEO of Crown Media Holdings Inc, previously Hallmark Entertainment Networks, since 1999. Serves on the board of British Sky Broadcasting Group Plc and the Australian Tissue Engineering Centre and is a director of Village Roadshow Entertainment Group (BVI) Limited.

Member Nomination Committee

Other Listed Public Company Directorships in previous 3 years:
Fairfax Media Limited (formerly John Fairfax Holdings Limited), from 22 June 2005 to 9 November 2009
British Sky Broadcasting Group Plc, since 21 September 2001

VILLAGE ROADSHOW LIMITED
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Directors' Report (continued)

DIRECTORS AND SECRETARIES (continued)

Directors (continued)

Robert Le Tet

Independent Non-Executive Director, Age 66

Member of the Board since 2 April 2007. Holds a Bachelor of Economics Degree from Monash University and is a qualified C.P.A. Founded and currently Executive Chairman of venture capital company, Questco Pty. Ltd. Over 35 years' experience in broadcasting, film and entertainment industries, including Director of television production company Crawford Productions. Formerly Deputy Chairman of radio station EONFM and 20 years as Chairman and CEO of Australia's largest film and advertising production company, The Filmhouse Group. Previously Chairman of radio stations 3UZ and 3CV, WSA Communications Pty. Ltd. and Entertainment Media Pty. Ltd and Chairman of Metropolitan Ambulance Service in Melbourne. Served as Board Member of the Australian Broadcasting Authority and Chairman of its Audit Committee.

Chairman Audit & Risk Committee
 Member Nomination Committee

Other Listed Public Company Directorships in previous 3 years:
 Nil.

Company Secretaries:

Philip S. Leggo

Group Company Secretary, Age 56

A Chartered Accountant holding a Bachelor of Business Studies from Royal Melbourne Institute of Technology and a Fellow of the Australian Institute of Company Directors. Mr. Leggo has over 20 years experience in the media and entertainment industries, is a member of the Company's Executive Committee and a Secretary and Director of all of Village Roadshow's major subsidiaries.

Shaun L. Driscoll

Co Company Secretary & Group Manager Corporate Services, Age 55

Holds a Bachelor of Arts and Bachelor of Laws from University of Natal and is a Fellow of the Institute of Chartered Secretaries. Mr. Driscoll has diverse industry experience including over 20 years with Village Roadshow, is a Secretary of all of Village Roadshow's subsidiaries and a Director of Village Roadshow's wholly owned subsidiaries.

Relevant Interests:

As at the date of this report, the relevant interests of the Directors in the shares, options and "in-substance options" of the Company and related bodies corporate were as follows:

Name of Director	Village Roadshow Limited			Austereo Group Limited
	Ordinary Shares	Preference Shares	Ordinary Options	Ordinary Shares
John R. Kirby	77,859,352	-	-	181,093,856
Robert G. Kirby	77,859,352	-	-	181,093,856
Graham W. Burke	77,859,352	-	6,000,000	181,093,856
Peter M. Harvie	257,400	242,900	-	1,030,001
Peter D. Jonson	20,000	37,000	-	-
D. Barry Reardon	10,000	8,552	-	-
David J. Evans	80,000	-	-	-
Robert Le Tet	-	-	-	-

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

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

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");
- Aquariums and other attraction operations ("Attractions");
- Cinema exhibition operations ("Cinema Exhibition");
- FM radio operations ("Radio"); and
- Film, DVD and video distribution operations ("Film Distribution").

OPERATING AND FINANCIAL REVIEW

Overview:

The VRL group recorded an attributable operating profit after tax before material items and discontinued operations for the year ended 30 June 2010 of \$65.9 million, compared to \$56.0 million for the prior period.

EBITDA from operations of \$254.5 million increased 8.2% on the prior period figure of \$235.2 million reflecting strength in core operating divisions. Attributable net profit after tax amounted to \$94.8 million compared to \$12.6 million in the prior period, after including material items and discontinued operations.

Profit after tax from discontinued operations of \$25.6 million represents the profit on sale of the Greece and Czech Republic operations, as previously announced.

VILLAGE ROADSHOW LIMITED
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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Overview (continued):

Total attributable profit from material items after tax of \$3.4 million for the current period includes unrealised gains on interest rate and foreign currency derivatives, net realised foreign currency losses, write-downs and provisions relating to the Group's investment in the US Gold Class business, costs resulting from the lapsed option to purchase Aussie World on the Sunshine Coast and impairment of the Group's Sydney Wildlife World assets.

Key Points

- Australian Cinema Exhibition delivered outstanding results off a record box office year;
- Record park attendances achieved at the Australian Theme Parks from the continued success of the season pass sales program;
- Challenging retail sector for DVDs impacted profitability from the Film Distribution division;
- Austereo maintained its ratings success in the third and fourth radio survey of 2010;
- Successful completion of the buyback of 12.7 million ordinary shares and 45 million preference shares at a cost of \$109.9 million in the first half;
- Completion of the sale of Greece and Czech Republic businesses resulting in a profit after tax of \$25.6 million in the first half;
- Disappointing results from Gold Class USA business resulting from impact of economic circumstances in USA; and
- Announcement of an on-market buy-back and variation of rights proposal to simplify the Group's capital structure and create one class of shares.

With regards to the trading results, the VRL group has demonstrated the underlying strength of its core operating businesses, and continues to focus on delivering what consumers want and to not only meet their entertainment expectations but to exceed them. This focus is delivering strong results for the VRL group and demonstrating its commitment to be the best in the entertainment industry.

The divisions have performed strongly in challenging times, maintained solid cash flows and reduced costs. Economic circumstances are yet to fully improve but it is considered that the VRL group is in the right position to be able to capitalise on opportunities as they arise.

The proposed buy back and rights variation proposal is in response to requests from shareholders to simplify VRL's capital structure. The Board of VRL believes the transaction provides an appropriate choice for those shareholders who wish to remain as shareholders and those who prefer to realise their holding for cash.

Cinema Exhibition:

The Cinema Exhibition business continued to outperform expectations with 3D premium product being a key to the strong performance. The VRL group, in conjunction with its partners, will continue its commitment to capitalise on this success and roll out further digital screens in all locations.

EBITDA before discontinued operations and material items for the period of \$46.6 million was up from \$36.0 million for the prior period, primarily as a result of outstanding results from the Australian Cinema Exhibition circuit. Singapore performed strongly with an operating profit (VRL share) of \$5.6 million up from \$3.1 million in the prior period. The United States Gold Class circuit incurred an operating loss (VRL Share) of \$9.9 million for the year compared with \$7.4 million in the prior year.

An indirect US subsidiary company of VRL ("VR Attractions") has signed a Memorandum of Understanding in relation to the Gold Class USA operations which, if completed, will result in VR Attractions contributing approximately US\$8 million to a new company, which will be 30% owned by VR Attractions and which will own the restructured Gold Class USA business operations.

Theme Parks:

The Gold Coast Theme Parks maintained their market leading position, being creative in their product offering resulting in record attendances and strong maintainable earnings.

EBITDA for the Theme Parks division, which includes the Gold Coast Theme Parks and US Water Parks was \$96.0 million, excluding material items, compared to \$81.3 million for the prior year. Operating profit before tax and material items for the Theme Parks division was \$42.9 million, compared to \$32.5 million for the prior year.

Attractions:

EBITDA for the Attractions division, which includes the Sydney Attractions Group and Kelly Tarlton's Antarctic Encounter and Underwater World, was \$19.8 million, excluding material items, compared to \$19.9 million for the prior year. Operating profit before tax and material items for the Attractions division was \$8.5 million, compared to \$10.3 million for the prior year. For the current period combined attendances were 2.5 million which is down from 2.7 million in the prior period.

Film Distribution:

The Film Distribution business continued to be a leader in film distribution with good product which, together with a focus on cost reduction, has partly offset the decline in DVD sales in a challenging retail sector.

EBITDA excluding discontinued operations and material items for the year was \$50.0 million, down on the prior year record of \$55.2 million, however operating profit before tax and material items of \$36.6 million was almost unchanged from the prior year result of \$37.0 million. Roadshow Films performed well off the back of good product offering and strong theatrical demand. This partly offset a lower contribution from Roadshow Entertainment for the year which has been impacted by declining consumer demand for retail DVD product.

Radio:

Austereo continued its dominant market position, maintaining number one FM radio positions in Sydney, Melbourne, Perth, Brisbane and number two in Adelaide in the fourth radio survey in 2010.

EBITDA before material items for the period was \$88.5 million, up 1.2% on the prior year of \$87.4 million, mainly resulting from an increase in sales revenue of 2.1%.

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Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Film Production and Music:

In May 2010, the Group contributed a further US\$17.5 million to Village Roadshow Entertainment Group ("VREG"), to assist in obtaining further medium term debt facilities to secure the current line up of productions. In August 2010, the amounts provided since May 2010, plus accrued interest, were repaid to the Group. No significant profit or loss has been recorded in the VRL group results in relation to VREG, as VREG is equity accounted.

Debt and Capital Management:

In the first half of the year the VRL group sold its investments in the Greece and Czech Republic operations which realised \$83.8 million in proceeds, reducing the reliance on debt facilities in funding the Group's capital management initiatives in the period.

In addition to the refinancing of the Corporate, Cinema Exhibition and Attractions debt facilities in the first half, the VRL group commenced and successfully completed in the second half of the financial year the refinancing of the debt facilities of its Film Distribution division.

On 9 August 2010, VRL announced a proposal to simplify its capital structure by varying the rights of its preference shares so that they have the same rights as the ordinary shares, and an on-market buy-back of ordinary and preference shares. The proposal is subject to various conditions - further details were contained in the announcement made on 9 August 2010, and full details were provided in the Explanatory Memorandum which was released on 24 August 2010.

DIVIDENDS

The VRL Board has resolved that no final dividend will be declared for the year ended 30 June 2010 as a result of the current work being undertaken to simplify the capital structure of the VRL group.

In December 2009, a fully-franked final dividend of 6.0 cents per ordinary share and 9.0 cents per A Class preference share was paid, and in July 2009, a fully-franked interim dividend of 3.75 cents per ordinary and A Class preference share was paid. In the year ended 30 June 2009, a fully-franked final dividend of 9.0c per ordinary share and 12.0c per A Class preference share was paid.

EARNINGS PER SHARE

Basic earnings per share were 72.88 cents (2009: (2.17) cents), basic earnings per share before discontinued operations were 51.41 cents (2009: (4.17) cents), and basic earnings per share before material items and discontinued operations were 48.54 cents (2009: 31.97 cents). There were no potential ordinary shares that were dilutive in the years ended 30 June 2010 or 30 June 2009. Total earnings per share before material items and discontinued operations were 34.80 cents (2009: 24.91 cents), based on a weighted average total of 189,282,366 (2009: 224,741,215) ordinary and A Class preference shares.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total equity of the economic entity decreased by \$22.8 million to \$686.3 million during the year. This was mainly attributable to reductions in contributed equity of \$108.4 million (mainly resulting from share buybacks) and reserves of \$3.8 million, which was partly offset by a reduction in accumulated losses of \$81.0 million and an increase in non-controlling interests of \$8.4 million. Net profit attributable to members of the parent was \$94.8 million, but after accounting for dividends provided and paid during the year of \$14.9 million, and the transfer to accumulated losses of net reserve amounts of \$1.1 million, accumulated losses of the economic entity decreased by \$81.0 million.

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 economic entity since the end of the financial year.

(a) Restructuring of Gold Class USA Operations:

An indirect US subsidiary company of VRL ("VR Attractions") has signed a Memorandum of Understanding in relation to the Gold Class USA operations which, if completed, will result in VR Attractions contributing approximately US\$8 million to a new company, which will be 30% owned by VR Attractions and which will own the restructured Gold Class USA business operations.

(b) Part-Repayment of Loans and Release of Guarantee re: Film Production and Music Division:

As announced to the Australian Securities Exchange ("ASX") on 9 August 2010, the VRL group has now been repaid for the loans made to VREG since May 2010 (and accrued interest), and has also been released from the guarantee that was provided in May 2010, resulting in approximately US\$20.6 million being repaid to the VRL group in August 2010.

(c) Simplification of Capital Structure and Capital Management Proposal:

As advised to the ASX on 9 August 2010, VRL intends to vary the rights of VRL's preference shares so that they have the same rights as VRL's ordinary shares, and also intends to conduct an on-market buy-back of ordinary and preference shares. The proposed variation of rights is conditional on VRL buying back ordinary shares and preference shares totalling at least 11 million shares in VRL, and the capital management proposal is conditional upon various matters including shareholder approval. Full details were contained in the Explanatory Memorandum that was released on 24 August 2010.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In accordance with the Group's strategy of continually improving each individual division's operating performance through the continued development of innovative and competitive products and services, it is anticipated that the Group's diversified businesses will continue to operate profitably in the future.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The VRL group is subject to the *National Greenhouse and Energy Reporting Act* for the year ended 30 June 2010, however this will not result in any material impact to the VRL group.

SHARE OPTIONS

Details of unissued shares under option, and shares issued as a result of the exercise of options, are set out in Note 19 of the Financial Report. Details of share, option and "in-substance option" transactions in relation to Directors of the economic entity are set out in Notes 25 and 26 of the Financial Report.

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Directors' Report (continued)

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 of \$202,037 (2009: \$192,699) 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 8 to 22.

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	Nomination	Formal	Audit & Risk	Remuneration	Nomination
Graham W. Burke	14	-	2	-	14	-	2	-
David J. Evans	15	-	-	1	12	-	-	1
Peter M. Harvie	15	-	-	-	14	-	-	-
Peter D. Jonson	15	4	2	-	15	4	2	-
John R. Kirby	14	-	-	1	8	-	-	1
Robert G. Kirby	14	-	-	-	14	-	-	-
Robert Le Tet	15	4	-	1	15	4	-	1
D. Barry Reardon	15	4	2	-	11	3	2	-

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 economic entity's position in relation to Australian Tax Consolidation legislation is set out in Note 4 of the Financial Report.

AUDITOR INDEPENDENCE

The Auditor's Independence Declaration to the Directors of Village Roadshow Limited, which forms part of this Directors' Report, is set out on page 7.

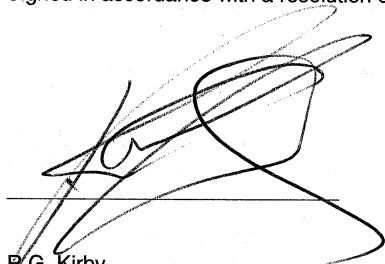
NON-AUDIT SERVICES PROVIDED BY AUDITOR

Details of the non-audit services provided by the auditor are set out in Note 27 of the Financial Report. The non-audit services summarised in Note 27 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 under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors at Melbourne this 31st day of August 2010.



R.G. Kirby
 Director

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

In relation to our audit of the financial report of Village Roadshow Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Rodney Piltz
Partner
31 August 2010

The Directors of the Company present the Remuneration Report (the "Report") which details the compensation arrangements in place for Directors and senior managers of the Company and of other senior managers of the VRL group for the year ended 30 June 2010 in accordance with Section 300A of the *Corporations Act 2001* ("the Act").

The relevant share-based payments for these Directors and Key Management Personnel are set out in Note 26 of the Financial Report.

The information provided in this Report has been audited as required by Section 308 (3C) of the Act. The Report forms part of the Directors' Report.

A. EXECUTIVE SUMMARY

1. Categories of Directors and Senior Management

The relevant Directors and senior managers to whose compensation arrangements this Report refers have been segregated into the following categories:

CATEGORIES AND GROUPINGS OF DIRECTORS AND EXECUTIVES REFERRED TO IN REMUNERATION REPORT			
Messrs John Kirby, Robert Kirby and Graham Burke = VRL Executive Director KMP	Executive Director KMP	Executive KMP = All members of Village Roadshow Limited's Executive Committee	"Key Management Personnel" of the Village Roadshow Limited Group
Mr. Peter Harvie			
All other non-Director members of Village Roadshow Limited's Executive Committee	Executive Committee KMP		
All Non-Executive Directors of Village Roadshow Limited	Non-Executive Director KMP		
Top 5 Most Highly Remunerated Executives of the Company, Village Roadshow Limited, and of the Village Roadshow consolidated group	Drawn from Executive Committee KMP		

(a) Executive KMP

These are executives who fall in the definition of Key Management Personnel of the VRL group, being those persons, including any Executive Director, with the authority and responsibility for planning, directing and controlling the activities of the VRL group, and are referred to in this report as "Executive KMP". All Executive KMP are the members of the Village Roadshow Limited Executive Committee.

In the case of Village Roadshow Limited, these Executive KMP are further split into 2 categories:

(i). **Executive Director KMP**

The Company's 4 Executive Directors are referred to in this report as "**Executive Director KMP**". Of these 4 Executive Director KMP, 3 Executive Directors, being Messrs. John R. Kirby, Robert G. Kirby and Graham W. Burke, have their remuneration set and are paid by Village Roadshow Limited and are referred to as "**VRL Executive Director KMP**". Mr. Peter M. Harvie's remuneration is set and paid by Austereo Group Limited, a controlled entity and part of the VRL group, which is separately listed on the Australian Securities Exchange ("ASX").

(ii). **Executive Committee KMP**

The non-director senior executives on the Village Roadshow Limited Executive Committee are referred to in this report as the "**Executive Committee KMP**", the 5 most highly remunerated of which are Messrs. Timothy Carroll, Simon T. Phillipson, Philip S. Leggo, Peter J. Davey and Ms. Julie E. Raffe.

The names, positions, dates of appointment, and dates of cessation (if ceasing up to 30 June 2010), of these Executive KMP for the 2009 and 2010 financial periods are as follows:

NAME	TITLE/POSITION	APPOINTMENT	CESSATION	CATEGORY
Robert G. Kirby	Executive Chairman [^]	3 Jun 2010	-	VRL Executive Director KMP
John R. Kirby	Executive Deputy Chairman [#]	3 Jun 2010	-	VRL Executive Director KMP
Graham W. Burke	Managing Director [#]	9 Sep 1988	-	VRL Executive Director KMP
Peter M. Harvie	Executive Director	20 Jun 2000	-	Executive Director KMP
Peter E. Foo	Group Chief Operating Officer	19 Mar 2007	19 Jun 2009	Executive Committee KMP
Philip S. Leggo	Group Company Secretary	23 Feb 1993	-	Executive Committee KMP
Julie E. Raffe	Chief Financial Officer	28 Sep 1992	-	Executive Committee KMP
Tony N. Pane	Chief Tax Counsel	17 Jan 2000	31 Dec 2008	Executive Committee KMP
Simon T. Phillipson	General Counsel	13 May 1996	-	Executive Committee KMP
Timothy Carroll	Chief Marketing Officer	6 Mar 2000	-	Executive Committee KMP
Peter J. Davey	Managing Director Corporate Development	1 Dec 2005	30 Jun 2010	Executive Committee KMP
David Kindlen	Chief Information Officer	1 Dec 2006	-	Executive Committee KMP

[#] Executive Directors since 1988

[^] Executive Director since July 2001

A. EXECUTIVE SUMMARY (continued)

1. Categories of Directors and Senior Management (continued)

(b) Non-Executive Director KMP

Other than the Executive KMP referred to above, the Group's other KMP are referred to as "**Non-Executive Director KMP**".

The names, dates of appointment, and dates of cessation (if ceasing up to 30 June 2010), of these Non-Executive Director KMP during the 2009 and 2010 financial periods are as follows:

NAME	TITLE/POSITION	APPOINTMENT	CESSATION	CATEGORY
Peter D. Jonson	Independent Director	24 Jan 2001	-	Non-Executive Director KMP
D. Barry Reardon	Independent Director	24 Mar 1999	-	Non-Executive Director KMP
David J. Evans	Independent Director	2 Jan 2007	-	Non-Executive Director KMP
Robert Le Tet	Independent Director	2 Apr 2007	-	Non-Executive Director KMP

2. Remuneration Outline

The 3 VRL Executive Director KMP receive base remuneration and superannuation of \$1,932,175 per annum each, unchanged from the previous two years. In addition, the 3 VRL Executive Director KMP are eligible to earn up to 100% of their base remuneration in the form of an annual bonus. 50% of the bonus is based on cash flow return on investment ("CFROI") and 50% is based on earnings per share ("EPS") growth relative to the top 300 stocks listed on ASX. The CFROI bonus amounted to \$672,387 each (2009: \$680,816) and, being due and payable, has been accrued for at 30 June 2010 and 2009. The EPS component of the bonus is not capable of being determined until approximately September of each year when the results of the ASX 300 EPS numbers are known – accordingly it has not been accrued at 30 June 2010 or 2009. The EPS component of the bonus for the 30 June 2009 financial year was \$916,088 each (2008: \$733,337) and this component has been reflected as paid in the 30 June 2010 (30 June 2009) period.

Mr. Peter Harvie is Executive Chairman of Austereo Group Limited and is remunerated by that entity based on the performance of that entity.

All other Executive Committee KMP can also earn bonuses. In each case bonuses are based on a mix of the same metrics as for the bonuses for VRL Executive Director KMP together with specific individual KPIs for each Executive Committee KMP. Where the component of the bonus, if any, is based on CFROI and thus due and payable, this has been accrued for at 30 June 2010 and 2009 and reflected in the tables on pages 10 and 11. All other short term bonus amounts refer to bonuses paid during the current and previous year to Executive Committee KMP reflecting their performance for the year ended 30 June 2009 and 2008 respectively.

In addition the CEO, Mr. Graham Burke, is eligible to earn up to 6 million options over ordinary shares over the five years to March 2013. For the maximum number of options to vest the three year cumulative compound annual growth of normalised EPS and dividend per share ("DPS") must be at least 10% in each of calendar years 2010, 2011 and 2012. If the EPS and DPS cumulative annual growth rate is less than 5% then no options vest with a sliding scale of vesting of options between 5% and 10% growth on these two measures. This CEO Long Term Incentive Plan was approved by shareholders at a General Meeting held on 17 July 2008.

No long term incentive plan allocations were made during the year to any Executive KMP.

The detailed compensation arrangements of all KMP for the years ended 30 June 2010 and 2009 are set out in the tables on pages 10 and 11.

Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2010

Name Directors	Position from / to (positions do not necessarily co-incide with employment commencement dates)	Year	Note	Short term Benefits		Post Employment		Long Term Benefits		Termin- ation Benefits	L.T.I. Share-based Payment	Total Performance Related Pay	Total % Performance Related Pay	
				Salary & Fees	Cash Bonus S.T.I.	Non-monetary Benefits	Other	Super- annuation	Retirement Benefits					Incentive Plans
Robert G Kirby	Executive Chairman since 03/06/2010	2010 %	4, 6	1,880,387 50,900	1,588,475 43,000	133,374 3,63	3,576 0.10	50,000 1.35	-	38,051 1.03	-	3,694,463 100.00	43.00%	
John R. Kirby	Executive Deputy Chairman since 03/06/2010	2010 %	4	1,882,175 52,03	1,588,475 43,91	36,465 1,01	-	50,000 1.38	-	60,523 1.67	-	3,617,638 100.00	43.91%	
Graham W. Burke	Managing Director since 09/09/1988	2010 %	3, 4	1,882,175 44,67	1,588,475 37,70	235,205 5,58	-	50,000 1.19	-	40,542 0.96	417,511 9.91	4,213,908 100.00	47.60%	
VRL Executive Director KMP Subtotals				5,644,737	4,765,425	405,644	3,576	150,000	-	139,116	-	417,511	11,526,009	
Peter M. Harvie	Executive Director since 20/06/2000	2010 %	2, 8	809,633 87,77	-	11,964 1,30	-	32,488 3,52	-	52,753 5,72	-	922,458 100.00	5.72%	
Executive Director KMP Subtotals				6,454,370	4,765,425	417,608	3,576	182,488	-	52,753	-	417,511	12,448,467	
Peter D. Jonson	Independent Director since 24/01/2001	2010 %		142,202 80,87	-	20,835 11,85	-	12,798 7,28	-	-	-	175,835 100.00	-	
D. Barry Reardon	Independent Director since 24/03/1999	2010 %		150,000 100.00	-	-	-	-	-	-	-	150,000 100.00	-	
David J. Evans	Independent Director since 02/01/2007	2010 %		98,624 91,74	-	-	-	8,876 8,26	-	-	-	107,500 100.00	-	
Robert Le Tet	Independent Director since 02/04/2007	2010 %		70,000 58,33	-	-	-	50,000 41,67	-	-	-	120,000 100.00	-	
Non-Executive Director KMP Subtotals				460,826	-	20,835	-	71,674	-	-	-	-	553,335	
Director Subtotals				6,915,196	4,765,425	438,443	3,576	254,162	-	52,753	-	417,511	13,001,802	
Executives														
Timothy Carroll	Chief Marketing Officer since 06/03/2000	2010 %	1, 5, 6, 7	478,786 37,09	600,000 46,48	96,967 7,51	42,761 3,31	25,000 1,94	-	11,776 0,91	35,589 2,76	1,290,879 100.00	49.24%	
Julie E. Raife	Chief Financial Officer since 28/09/1992	2010 %	1, 4, 5, 6, 7	503,809 41,43	469,053 38,57	40,360 3,32	97,876 8,05	25,000 2,06	-	38,549 3,17	41,521 3,41	1,216,168 100.00	41.98%	
Simon T. Phillipson	General Counsel since 13/05/1996	2010 %	1, 4, 5, 6, 7	501,001 46,65	488,889 43,66	1,001 0,09	41,914 3,90	25,000 2,33	-	12,397 1,15	23,726 2,21	1,073,928 100.00	45.87%	
Philip S. Leggo	Group Company Secretary since 23/02/1993	2010 %	1, 4, 5, 6	427,475 57,31	151,838 20,36	84,659 11,35	2,769 0,37	49,038 6,57	-	10,883 1,46	19,189 2,57	745,851 100.00	22.33%	
Peter J. Davey	Managing Director, Corporate Development from 01/12/2005 to 30/06/2010 (as KMP)	2010 %	1, 5, 6	411,841 73,74	100,000 17,90	1,001 0,18	1,571 0,28	14,461 2,59	-	-	29,658 5,31	558,532 100.00	23.21%	
Top 5 Company Executives Subtotals				2,322,912	1,789,780	223,988	186,891	138,499	-	73,605	-	149,683	4,885,358	
David Kindlen	Chief Information Officer since 01/12/2006	2010 %	1, 4, 5, 6	225,034 48,37	189,471 40,73	1,524 0,33	2,569 0,55	25,000 5,37	-	3,834 0,82	17,795 3,83	465,227 100.00	44.55%	
Executive Committee KMP Subtotals				2,547,946	1,979,251	225,512	189,460	163,499	-	77,439	-	167,478	5,350,585	
Total for Key Management Personnel for 2010				9,463,142	6,744,676	663,955	193,036	417,661	-	52,753	-	584,989	18,352,387	

1. Includes amortised value of share based payment from grant of preference shares under the Executive Share Plan.

2. Includes amounts paid by Austereo Group Limited in relation to Executive Chairman position.

3. Includes amortised value of share based payment from grant of six million options over ordinary shares on 18 July 2008.

4. Includes amount for partial accrued STI bonus amounts for year ended 30 June 2010.

5. Includes STI bonus paid during the year in respect of performance in the prior period.

6. Includes other non-monetary benefit for cost of compulsory group salary continuance insurance premiums.

7. Includes payout of excess accrued annual leave.

8. Includes non-monetary incentive plan benefits for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Group's Executive Share Plans other than those amortised as a share based payment.

Compensation of Key Management Personnel of the Company and the Group for the period ended 30 June 2009

Name Directors	Position from / to (positions do not necessarily co-incide with employment commencement dates)	Year	Note	Short term Benefits			Post Employment			Long Term Incentive Plans	Termin- ation Benefits	L.T.I. Share-based Payment	Total Performance Related Pay	Total % Related Pay
				Salary & Fees	Cash Bonus S.T.I.	Non-monetary Benefits	Other	Super- annuation	Retirement Benefits					
John R. Kirby	Executive Chairman since 28/06/2006	2009	7	1,832,175	1,414,153	129,206	-	100,000	-	30,509	-	-	3,506,043	40.33%
		%		52.26	40.33	3.69	-	2.85	-	0.87	-	-	100.00	
Robert G Kirby	Executive Deputy Chairman since 28/06/2006	2009	6, 7	1,830,645	1,414,153	163,665	3,060	100,000	-	30,502	-	-	3,542,025	39.92%
		%		51.68	39.92	4.62	0.09	2.82	-	0.86	-	-	100.00	
Graham W. Burke	Managing Director since 09/09/1998	2009	3, 7	1,832,175	1,414,153	278,339	-	100,000	-	30,510	-	417,511	4,072,688	44.97%
		%		44.99	34.72	6.83	-	2.46	-	0.75	-	10.25	100.00	
	VRL Executive Director KMP Subtotals			5,494,995	4,242,459	571,210	3,060	300,000	-	91,521	-	417,511	11,120,756	
Peter M. Havie	Executive Director since 20/06/2000	2009	2, 5	742,120	100,000	12,556	-	100,000	-	68,337	-	-	1,036,950	16.23%
		%		71.57	9.64	1.21	-	9.64	-	6.59	-	-	100.00	
	Executive Director KMP Subtotals			6,237,115	4,342,459	583,766	3,060	400,000	-	68,337	-	417,511	12,157,706	
Peter D. Jonson	Independent Director since 24/01/2001	2009		132,645	-	2,274	-	11,938	-	-	-	-	146,857	-
		%		90.32	-	1.55	-	8.13	-	-	-	-	100.00	
D. Barry Reardon	Independent Director since 24/03/1999	2009		150,000	-	-	-	-	-	-	-	-	150,000	-
		%		100.00	-	-	-	-	-	-	-	-	100.00	
David J. Evans	Independent Director since 02/01/2007	2009		82,569	-	-	-	7,431	-	-	-	-	90,000	-
		%		91.74	-	-	-	8.26	-	-	-	-	100.00	
Robert Le Tet	Independent Director since 02/04/2007	2009		55,046	-	-	-	64,954	-	-	-	-	120,000	-
		%		45.87	-	-	-	54.13	-	-	-	-	100.00	
	Non-Executive Director KMP Subtotals			420,260	-	2,274	-	84,323	-	-	-	-	506,857	
	Director Subtotals			6,657,375	4,342,459	586,040	3,060	484,323	-	68,337	-	417,511	12,664,563	
Executives														
Peter E. Foo	Chief Operating Officer from 19/03/07 to 19/06/2009 (as KMP)	2009	4, 6, 7, 8	1,177,201	1,571,363	132,794	5,163	100,045	-	63,829	-	168,703	3,219,098	54.05%
		%		36.57	48.81	4.13	0.16	3.11	-	1.98	-	5.24	100.00	
Timothy Carroll	Chief Marketing Officer since 06/03/2000	2009	1, 6, 8	457,865	400,000	63,993	1,970	45,000	-	8,324	-	59,357	1,036,509	44.32%
		%		44.17	38.59	6.17	0.19	4.34	-	0.80	-	5.73	100.00	
Simon T. Phillipson	General Counsel since 13/05/1996	2009	1, 6, 7, 8	476,180	414,739	1,000	2,440	49,470	-	8,042	-	39,572	991,443	45.82%
		%		48.03	41.83	0.10	0.25	4.99	-	0.81	-	3.99	100.00	
Julie E. Raffae	Chief Financial Officer since 28/09/1992	2009	1, 6, 7, 8	409,932	414,047	38,958	5,136	37,080	-	6,860	-	69,250	981,263	49.25%
		%		41.78	42.20	3.97	0.52	3.78	-	0.70	-	7.06	100.00	
Philip S. Leggo	Group Company Secretary since 23/02/1993	2009	1, 6, 7, 8	382,688	328,569	94,058	2,323	86,866	-	1,796	-	33,401	929,701	38.93%
		%		41.16	35.34	10.12	0.25	9.34	-	0.19	-	3.59	100.00	
	Top 5 Company Executives Subtotals			2,903,866	3,128,718	330,803	17,032	318,461	-	88,851	-	370,283	7,158,014	
Tony N. Pane	Chief Tax Counsel from 17/01/2000 to 31/12/2008 (as KMP)	2009	1, 6, 8	534,181	250,000	601	1,312	22,430	-	9,231	-	17,739	835,494	32.05%
		%		63.94	29.92	0.07	0.16	2.68	-	1.10	-	2.12	100.00	
Peter J. Davey	Managing Director, Corporate Development since 01/12/2005	2009	1, 6, 8	411,898	100,000	1,567	1,324	13,745	-	-	-	49,464	577,998	25.86%
		%		71.26	17.30	0.27	0.23	2.38	-	-	-	8.56	100.00	
David Kindlen	Chief Information Officer since 01/12/2006	2009	1, 6, 7, 8	199,974	182,733	3,274	2,132	49,800	-	3,830	-	29,679	471,422	45.06%
		%		42.42	38.76	0.69	0.45	10.56	-	0.81	-	6.30	100.00	
	Executive Committee KMP Subtotals			4,049,919	3,661,451	336,245	21,800	404,436	-	101,912	-	467,165	9,042,928	
	Total for Key Management Personnel for 2009			10,707,294	8,003,910	922,285	24,860	888,759	-	68,337	-	884,676	21,707,491	

1. Includes amortised value of share based payment from grant of preference shares under the Executive Share Plan.

2. Includes amounts paid by Austereo Group Limited in relation to Executive Chairman position.

3. Includes amortised value of share based payment from grant of six million options over ordinary shares on 18 July 2008.

4. Includes amortised value of share based payment from grant of one million preference shares under the Senior Executive Share Plan.

5. Includes other non-monetary incentive plan benefits for the value of interest between deemed market rate and actual interest rate charged on loans for shares held under the Group's Executive Share Plans other than those amortised as a share based payment.

6. Includes other non-monetary benefit for cost of compulsory group salary continuance insurance premiums.

7. Includes amount for partial accrued STI bonus amounts for year ended 30 June 2009.

8. Includes STI bonus paid during the year in respect of performance in the prior period.

A. EXECUTIVE SUMMARY (continued)

3. Remuneration Summary

For the convenience of readers the main issues relevant to each of the above main categories of KMP are summarised below together with the relevant page reference within the Report where further details about each component can be found.

(a) Executive KMP

ISSUE	SUMMARY	REFERENCE IN REPORT
Remuneration strategy and policy	<p>The performance of the Company depends upon the skills and quality of its Directors and senior executives. To prosper the Group must attract, motivate and retain highly skilled Directors and executives. The compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Group's overall goals and objectives.</p> <p>The Company aims to reward Executive Director KMP and Executive Committee KMP with a level and mix of remuneration commensurate with the seniority of their position and responsibilities within the Group, so as to reward for Group performance against targets set by reference to appropriate benchmarks, align the interests of the Executive Director KMP and Executive Committee KMP with those of the Company and of its shareholders, link their rewards to the strategic goals and performance of the Group, and ensure total compensation is competitive by market standards.</p>	Page 14
Key changes for 2010	<p>There was one change to the composition of the Executive KMP during the year with Mr. Peter Davey retiring from the Executive Committee effective from 30 June 2010, ceasing as KMP from that date.</p>	
Fixed Remuneration	<p>The level of fixed pay is set so as to provide a base level of compensation which is fair, reasonable and appropriate to the seniority of the position and to be competitive in the market. The Executive Director KMP and Executive Committee KMP receive their fixed (primary) compensation in a variety of forms including cash, superannuation and taxable value of fringe benefits such as motor vehicles and other non-monetary benefits.</p> <p>The fixed compensation component is not 'at risk', other than by the ongoing performance of the individual, but is set by reference to competitive industry expectations and the scale and complexity of the different businesses together with appropriate benchmark information for the individual's responsibilities, performance, qualifications, experience and location.</p> <p>The Company's Remuneration Committee is responsible for approval of the level of fixed pay for Executive KMP and all other senior corporate and divisional executives.</p>	Page 16
Short-Term Incentive bonus	<p>The objective of the Short-Term Incentive bonus program ("STI") is to link the achievement of the Group's annual operational targets with the compensation received by the Executive KMP charged with meeting those targets, as well as some relevant personalised individual targets for some Executive Committee KMP.</p> <p>The total potential STI bonus available is set at a level so as to provide sufficient incentive to the Executive KMP to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances. Actual STI bonus payments made to each VRL Executive Director KMP and Executive Committee KMP depend on the extent to which specific budgeted operating targets, or other individual criteria set at the beginning of each financial year, are met.</p> <p>The STI is designed so that for all executives a large portion of their individual remuneration is 'at risk' against meeting targets linked to the Group's annual and mid-term business objectives, weighted so that the more senior the executive the larger the proportion of remuneration that is at risk. The operational targets consist of a number of Key Performance Indicators ("KPI's") as part of the annual budget setting processes for financial measures of performance supporting the Group's annual targets. For the VRL Executive Director KMP of Messrs J.R. Kirby, R.G. Kirby and G.W. Burke, these measures include criteria relating to profitability and cash flow.</p> <p>Some members of the Executive Committee KMP also have these same criteria as part of their STI calculation. Only the component of STI bonus payment that can be accurately determined is accrued at balance date. Remaining components of STI bonus payments are calculated and accrued between balance date and 31 December each calendar year. Accordingly the STI amount shown in the Remuneration tables on pages 10 and 11 are a composite of both bonuses accrued during the financial year and paid during the year for performance in the prior year.</p> <p>In addition, transaction based specific bonuses may be payable to one or more Executive KMP where specific medium term strategic challenges are encountered.</p> <p>All bonuses, including any recommended STI bonus payments for VRL Executive Director KMP and for Executive Committee KMP, are approved by the Company's Remuneration Committee.</p>	Page 16

A. EXECUTIVE SUMMARY (continued)

3. Remuneration Summary (continued)

(a) Executive KMP (continued)

ISSUE	SUMMARY	REFERENCE IN REPORT
<p>Long-Term Incentive</p>	<p>Over the past five years there have been six different LTI plans within the Group, all of which have been approved by shareholders at the time of their introduction. Grants are made from time to time as appropriate or whenever there have been movements in the composition of the management team, and all proposed grants to Executive Director KMP are put to shareholders for approval.</p> <p>The quantum of the LTI grants are made on a sliding scale reflective of the seniority of the position of the relevant executive and their ability to contribute to the overall performance of the Group. The more senior the Executive KMP the more their LTI is specifically designed as 'at risk' remuneration, for example the dividend and earnings per share performance hurdles relevant to the 2008 grant of options to the Managing Director. The LTI for less senior Executive KMP, with less influence over the performance of the Group, have no specific performance conditions for the vesting of the relevant LTI other than tenure based on continuing personal performance. Accordingly these LTI plans may be regarded as a partial retention mechanism by the Company to encourage a sense of ownership with those Executive Committee KMP to whom the LTIs are granted, assisting in aligning their long term interests with those of shareholders through the performance of the Company's share price. The success of these retention grants under the LTI plans is demonstrated by the relatively stable membership of the Executive Committee KMP over the past decade, with most Executive Committee KMP having served the Group for significant periods of time, including prior to becoming KMP.</p> <p>There are no provisions within any of the LTI plans for the automatic or full vesting of the relevant shares or options in the event of a change of control of the Company. No options have been granted, exercised or lapsed during the reporting period. The amortised portion of the relevant fair value of the LTI for each Executive KMP has been shown in the table of remuneration details as share-based payment.</p> <p>The 3 main legacy LTI plans all feature loans limited to security over the relevant shares together with a buy-back option in the event the market value of the shares is less than the loan amount. Accordingly no hedging by Executive KMP is required, whether of vested or unvested LTI plan shares as the Company has full control over all loans and the repayment thereof and full control over all shares including through holding locks. Other than for the Managing Director's 2008 ordinary options, the terms of which specifically prohibit the hedging of unvested options by Mr. Burke, the Company has no policy on hedging or margin lending by Executive KMP.</p>	<p>Page 18</p>
<p>Service agreements</p>	<p>Mr. G.W. Burke's five year contract with the Company as Managing Director was extended in December 2007 and expires on 1 December 2012. In addition to base salary, CPI adjusted, superannuation and motor vehicle, an annual incentive performance bonus is payable for achieving certain earnings per share growth and cash flow return on investment ("CFROI") levels.</p> <p>Mr. P.M. Harvie's contract with Austereo Pty Ltd as Executive Chairman of the Company's controlled entity, Austereo Group Limited, expires on 30 June 2012. In addition to base salary and superannuation, CPI adjusted, an annual discretionary performance bonus is payable.</p> <p>Messrs. T. Carroll, S.T. Phillipson, P.S. Leggo, P. Davey and Ms. J.E. Raffe all have ongoing employment agreements. In addition to base salary and superannuation, and a Company motor vehicle provided to Mr. Leggo and Ms. Raffe, all above named Company executives are eligible to be paid an annual performance bonus based on various financial and personal KPI's.</p> <p>The Company may terminate an employment contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive KMP is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested LTI plan grants are immediately forfeited and all remaining loans over vested LTI shares must be repaid within 6 months of termination.</p>	<p>Page 22</p>
<p>Remuneration details</p>	<p>Full details of the relevant components of the remuneration of Executive KMP for the current period and the previous corresponding period, together with explanatory notes, are set out in the tabular form as required by law.</p>	<p>Refer tables on pages 10 & 11</p>
<p>Link between remuneration and company performance</p>	<p>Details of short term incentive hurdles are detailed in the table on page 17.</p> <p>Total Shareholder Return ("TSR") of the Company, based on the investment of \$1,000 in ordinary shares on 1 July 2005 and demonstrating the impact on shareholders of investing in ordinary shares over a five year time frame, has been broadly satisfactory over the past five years, however it has been adversely impacted over the past few years by the overall global market downturn.</p> <p>Annual bonuses for the VRL Executive Directors and, from July 2007, for the 4 relevant Executive Committee KMP is divided into two components; one is driven by Cash Flow Return on Investment ("CFROI") and the other is determined by earnings per share performance. The CFROI metric used relates to normalised EBITDA as a percentage of capital employed, and capital employed is represented by total shareholders capital plus net debt. The two components together derive the movement in the Executive KMP overall bonuses.</p> <p>Accordingly both the level of remuneration and the at risk components of STI and LTI payments are directly linked to specific performance metrics of the Company and are designed to align the interests of the Executive KMP with those of shareholders.</p>	<p>Page 21</p>

A. EXECUTIVE SUMMARY (continued)

3. Remuneration Summary (continued)

(b) Non-Executive Director KMP

ISSUE	SUMMARY	REFERENCE IN REPORT
Remuneration strategy and policy	<p>The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain appropriately qualified and experienced Non-Executive Director KMP of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Constitution of the Company requires that the aggregate remuneration of Non-Executive Director KMP is determined from time to time by shareholders in general meeting. An amount not exceeding the annual amount so determined is then divided between the Non-Executive Director KMP as agreed. The latest determination was at the Annual General Meeting held on 24 November 1998 when shareholders approved an aggregate remuneration level for Non-Executive Director KMP of \$800,000 per annum. Aggregate payments to Non-Executive Director KMP have never exceeded the total pool approved by shareholders.</p> <p>Each Non-Executive Director KMP receives a fee for being a Non-Executive Director of the Company. An additional fee is also paid for each Board Committee or major subsidiary on which a Non-Executive Director KMP sits. The payment of additional fees for serving on a Committee or subsidiary Board recognises the additional commitment required by that Non-Executive Director KMP. To preserve the independence and impartiality of Non-Executive Director KMP, no element of Non-Executive Director KMP remuneration is 'at risk' based on the performance of the Company and does not incorporate any bonus or incentive element.</p> <p>Board and Committee fees are set by reference to a number of relevant considerations including the responsibilities and risks attaching to the role, the time commitment expected of Non-Executive Director KMP, fees paid by peer-sized companies and independent advice received by external advisors. The remuneration arrangements of Non-Executive Director KMP are periodically reviewed by the Remuneration Committee to ensure it remains in line with general industry practice, the last review having taken effect from June 2006.</p>	Page 14
Key changes for 2010	There were no changes to the Non-Executive Director KMP during the period other than Mr. David Evans being appointed in December 2009 to represent the Group's interests in the Village Roadshow Entertainment Group (BVI) Limited group of companies.	
Fixed Remuneration	<p>From July 2007, Non-Executive Director KMP were paid at the rate of \$80,000 per annum, payable quarterly in arrears. In addition Non-Executive Director KMP received an additional \$20,000 per annum for each Board Committee on which they served, other than for the Nomination Committee which is set at 50% of the Committee fee. The Lead Independent Director receives an additional \$30,000 per annum and Committee Chairs are paid at a rate of 50% above other Committee members in recognition of the additional workload.</p> <p>The Company does not have and never has had a retirement benefit scheme for Non-Executive Director KMP, other than their individual statutory 9% superannuation benefits which, where applicable, are included as part of the aggregate fee for Non-Executive Director KMP as remuneration.</p>	Page 15
Remuneration details	Full details of the relevant components of the remuneration of Non-Executive Director KMP for the current period and the previous corresponding period, together with explanatory notes, are set out in the tabular form as required by law.	Refer tables on pages 10 & 11
Alignment with shareholders' interests	<p>Although not required by the Company's constitution, the Company considers it appropriate for Non-Executive Director KMP to have a stake in the Company on whose board they sit and the Company encourages Non-Executive Director KMP to hold shares in the Company. Subject to any necessary approvals as may be required by law or by ASX Listing Rules, Non-Executive Director KMP may be invited from time to time to participate in LTI plans offered by the Company.</p> <p>The various share, option and 'in substance option' entitlements of all Non-Executive Director KMP are advised promptly to ASX in accordance with the Listing Rules and <i>Corporations Act</i> requirements and are set out on page 3 of the Directors' Report.</p>	

B. REMUNERATION STRATEGY AND POLICY

The performance of the Company depends upon the skills and quality of its Directors and senior executives. To prosper the Group must attract, motivate and retain highly skilled Directors and senior executives. The compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Group's overall goals and objectives.

The objectives of the remuneration strategy are to:

- Reinforce the short, medium and long term financial targets and business strategies of the Group as set out in the strategic business plans of the Group and each operating division;
- Provide a common interest between executives and shareholders by aligning the rewards that accrue to executives to the creation of value for shareholders; and
- Be competitive in the markets in which the Group operates in order to attract, motivate and retain high calibre executives.

B. REMUNERATION STRATEGY AND POLICY (continued)

To implement this policy and seek to meet the specified objectives the Group embodies the following principles in its compensation framework:

- Provide competitive rewards to attract and retain high calibre Directors and senior executives who are dedicated to the interests of the Company;
- Link executive compensation to the achievement of the Group's or the relevant division's financial and operational performance;
- All Executive KMP have a portion of their compensation 'at risk' by having the opportunity to participate in the Company's bonus scheme where specified criteria are met including criteria relating to profitability and cash flow, or other pre-determined personal or divisional performance indicators and benchmarks; and
- Establish appropriate, demanding, personalised performance hurdles in relation to variable executive remuneration and bonuses.

The framework of the Group's compensation policy provides for a mix of fixed pay and variable ("at risk") pay:

- Short term, fixed compensation;
- Other benefits and post-employment compensation such as superannuation; and
- Variable Compensation:
 - Short Term performance Incentive Bonus ("STI"); and
 - Long Term equity-linked performance Incentive ("LTI").

The compensation arrangements of senior executives of the separately ASX listed controlled entity, Austereo Group Limited ("Austereo"), are determined by that entity's Remuneration Committee, and since February 2008 the compensation arrangements of senior executives of Village Roadshow Entertainment Group (BVI) Limited ("VREG") have been determined by VREG's Remuneration Committee. VRL Executive Director KMP provide representation from the Company's Board at both Austereo's and VREG's Remuneration Committees.

The Charter of the Company's Remuneration Committee provides for the review of compensation of the Company's VRL Executive Director KMP, divisional CEO, COO and CFO (except for Austereo and VREG) and Executive Committee KMP, including any equity participation by VRL Executive Director KMP and Executive Committee KMP as well as other non-KMP executives. The Committee makes recommendations and takes external advice from time to time on the compensation of the VRL Executive Director KMP, Executive Committee KMP and non-KMP executives with the overall objective of motivating and appropriately rewarding performance.

The Charter, role, responsibilities, operation and membership of the Remuneration Committee of the Board are set out in the Corporate Governance section of the Company's Annual Report.

C. NON-EXECUTIVE DIRECTOR KMP REMUNERATION

1. Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain appropriately qualified and experienced Non-executive Director KMP of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Company operates a complex business in fiercely competitive markets and the duties and obligations of Non-Executive Director KMP are becoming increasingly onerous and time consuming.

2. Structure

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

The latest determination was at the Annual General Meeting held on 24 November 1998 when shareholders approved an aggregate remuneration level for Non-Executive Director KMP of \$800,000 per annum. This aggregate fee level includes any compensation paid to Non-Executive Director KMP who may serve on Boards of the consolidated entity, excluding those Non-Executive Directors of Austereo, who are paid directly by Austereo. Aggregate payments to Non-Executive Director KMP have never exceeded the total pool approved by shareholders.

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

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

Board and Committee fees are set by reference to a number of relevant considerations including the responsibilities and risks attaching to the role, the time commitment expected of Non-Executive Director KMP, fees paid by peer-sized companies and independent advice received by external advisors. The remuneration arrangements of Non-Executive Director KMP are periodically reviewed by the Remuneration Committee to ensure it remains in line with general industry practice, the last review having taken effect from June 2006.

From July 2007, Non-Executive Director KMP were paid at the rate of \$80,000 per annum, payable quarterly in arrears. In addition Non-Executive Director KMP received an additional \$20,000 per annum for each Board Committee on which they served, other than for the Nomination Committee which is set at 50% of the Committee fee. The Lead Independent Director receives an additional \$30,000 per annum and Committee Chairs are paid at a rate of 50% above other Committee members in recognition of the additional workload.

During the 2009 and 2010 years Mr. D. B. Reardon received an additional \$30,000 fee per annum for his services on the board of Village Roadshow Pictures International Pty Ltd and various USA based company boards and from December 2009 Mr. D. J. Evans received an additional \$30,000 fee per annum pro-rata for his services on the boards of the Village Roadshow Entertainment Group (BVI) Limited group of companies.

The Company does not have and never has had a retirement benefit scheme for Non-Executive Director KMP, other than their individual statutory 9% superannuation benefits which, where applicable, are included as part of the aggregate fee for Non-Executive Director KMP as remuneration.

In addition, it is considered appropriate for Directors to have a stake in the Company on whose board he or she sits and the Company encourages Executive Director KMP and Non-Executive Director KMP to hold shares in the Company. Subject to any necessary approvals as may be required by law or by ASX Listing Rules, Directors may be invited from time to time to participate in share and 'in substance option' plans offered by the Company.

C. NON-EXECUTIVE DIRECTOR KMP REMUNERATION (continued)

2. Structure (continued)

The various share, option and 'in substance option' entitlements of all Directors are advised to ASX in accordance with the Listing Rules and *Corporations Act* requirements and are set out on page 3 of the Directors' Report.

The remuneration of Non-Executive Director KMP for the periods ending 30 June 2010 and 30 June 2009 are detailed on pages 10 and 11 of this Report.

D. EXECUTIVE KMP COMPENSATION

The names and positions of the Executive KMP of the Group for the period ending 30 June 2010 and 2009 are detailed on page 8 of this Report.

1. Objective

The Company aims to reward Executive Director KMP and Executive Committee KMP with a level and mix of remuneration commensurate with the seniority of their position and responsibilities within the Group, so as to:

- reward for Group performance against targets set by reference to appropriate benchmarks;
- align the interests of the Executive Director KMP and Executive Committee KMP with those of the Company and of its shareholders;
- link their rewards to the strategic goals and performance of the Group; and
- ensure total compensation is competitive by market standards for the relevant industry.

2. Structure

In determining the level and make-up of Executive KMP compensation, the Remuneration Committee seeks independent advice of external consultants as required to advise on market levels of compensation for comparable roles from time to time.

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

- Short term, fixed compensation;
- Other compensation such as post employment compensation (including superannuation); and
- Variable Compensation:
 - Short Term Incentive Bonus ("STI"); and
 - Long Term Incentive ("LTI").

The proportion of fixed pay and variable compensation (potential short term and long term incentives) is monitored by the Remuneration Committee, taking into account the Group's then present circumstances and its future short-term and longer-term goals.

The details of the fixed and variable components (and the relevant percentages) of each individual Executive Director KMP and Executive Committee KMP of the Company and the Group are set out on pages 10 and 11 of this Report.

The remuneration and terms and conditions of employment for the Executive Director KMP and the Executive Committee KMP are often but not always specified in individual contracts of employment. The details of each contract of the relevant Executive KMP are outlined on page 22 of this Report.

3. Fixed Compensation

(a) Objective

The level of fixed pay is set so as to provide a base level of compensation which is fair, reasonable and appropriate to the seniority of the position and to be competitive in the market.

Fixed pay (defined as the base compensation payable to an individual and which is not dependent on the outcome of specific criteria) is reviewed annually by the Remuneration Committee, taking into account other elements of the compensation mix, such as STI bonus and LTI arrangements. As noted earlier, the Committee has access to independent external advice.

(b) Structure

The Executive Director KMP and Executive Committee KMP receive their fixed (primary) compensation in a variety of forms including cash, superannuation and taxable value of fringe benefits such as motor vehicles and other non-monetary benefits. The fixed compensation component is not 'at risk' but is set by reference to competitive industry expectations and the scale and complexity of the different businesses together with appropriate benchmark information for the individual's responsibilities, performance, qualifications, experience and location.

The fixed compensation component of each Executive Director KMP and Executive Committee KMP for the periods ended 30 June 2010 and 30 June 2009 is detailed on pages 10 and 11 of this Report.

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

(a) Objective

The objective of the STI bonus program is to link the achievement of the Group's annual operational targets with the compensation received by the Executive KMP charged with meeting those targets, as well as some relevant personalised individual targets for some Executive Committee KMP. The total potential STI bonus available is set at a level so as to provide sufficient incentive to the Executive KMP to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

The STI is designed so that for all executives a large portion of their individual remuneration is 'at risk' against meeting targets linked to the Company's annual and mid-term business objectives, weighted so that the more senior the executive the larger the proportion of remuneration that is at risk. STI is a blend of financial KPIs applicable to the VRL Group together with personal KPIs based on the relevant responsibilities of each role.

(b) Structure

All Executive Committee KMP, as well as other corporate and divisional executives, are eligible to participate in the Group's annual STI bonus scheme after at least six months of service. Actual STI bonus payments made to each VRL Executive Director KMP and Executive Committee KMP depend on the extent to which specific budgeted operating targets, or other individual criteria set at the beginning of each financial year, are met.

D. EXECUTIVE KMP COMPENSATION (continued)

4. Variable Compensation — Short Term Incentive (“STI”) Bonus (continued)

(b) Structure (continued)

The Group has predetermined performance benchmarks which must be met in order to trigger payments under the STI bonus scheme. These Group specific and tailored performance conditions were chosen so as to align the STI payments to the operational performance of the Company and the VRL group as a whole. These performance criteria include EPS growth benchmarks and minimum CFROI targets.

The operational targets consist of a number of KPI's as part of the annual budget setting processes for financial measures of performance supporting the Company's annual targets. For the VRL Executive Director KMP of Messrs J.R. Kirby, R.G. Kirby and G.W. Burke, these measures include criteria relating to CFROI and EPS growth.

Mr. P.M. Harvie's KPI's are set by Austereo's Remuneration Committee.

The overall review of proposed bonus payments to Executive Committee KMP is assessed by the Remuneration Committee on the recommendations and advice of the Managing Director. All bonuses, including any recommended STI bonus payments for VRL Executive Director KMP and for Executive Committee KMP, are approved by the Company's Remuneration Committee.

Only the components of STI bonus payments that can be accurately determined are accrued at balance date. Remaining components of STI bonus payments are calculated and accrued between balance date and 31 December each calendar year. Accordingly for all Executive Director KMP and some Executive Committee KMP the STI amount shown in the Remuneration tables for the years ended 30 June 2010 and 30 June 2009 is the bonus relating to performance against the CFROI metric for the current year and the EPS component of the bonus for the prior year. Accordingly the STI amount shown in the Remuneration tables are a composite of both bonuses paid in respect of the EPS performance in the prior year and the CFROI bonus component accrued during the financial year.

The 3 VRL Executive Director KMP, and Mr. P.E. Foo for the 2008 financial year, are eligible to earn up to 100% of their base remuneration in the form of an annual bonus. 50% of the bonus is based on CFROI and 50% is based on EPS growth relative to the top 300 stocks listed on the ASX. The CFROI bonus for the year ended 30 June 2010 amounted to \$672,387 for each VRL Executive Director KMP (2009: \$680,816) and, being due and payable, has been accrued for at 30 June 2010. The EPS component of the 30 June 2010 bonus is not capable of being determined until approximately September 2010 and has thus not been accrued at 30 June 2010 and will be reflected in the 30 June 2011 financial period.

All other Executive Committee KMP can also earn bonuses. In most cases bonuses are based on a mix of the same metrics as for the bonuses for VRL Executive Director KMP, together with specific individual KPI's for each Executive Committee KMP. Where the component of the bonus, if any, is based on CFROI and thus due and payable, this has been accrued for and reflected in the remuneration information for 30 June 2010. All other short term bonus amounts refer to bonuses paid during the year to Executive Committee KMP reflecting their performance for the year ended 30 June 2010 and 2009 respectively. CFROI hurdle rates achieved were at 75.8% of the maximum hurdle rate for the 2010 financial year and at 74.3% for the 2009 financial year. The Group has also achieved EPS growth in the 2009 and 2008 financial years and the relevant bonuses were paid in the 2010 and 2009 financial years.

Future STI bonuses of the VRL Executive Director KMP are dependent on a number of external variables, including the earnings per share and the financial performance of the Group. For all Executive KMP the minimum potential value of the STI which could be paid in respect of any year, for example as a result of poor performance or missing tailored, pre-set targets, would be nil, and the maximum STI bonus payable in respect of any year would be the maximum amounts, as detailed in the table below for the current year. Therefore, the theoretical percentage of maximum STI bonus payments that could be forfeited in respect of any year would be 100% of the maximum amounts, as detailed in the table below for the current year.

In addition, transaction based specific bonuses may be payable to one or more Executive KMP where specific medium term strategic challenges are encountered.

The STI bonus arrangements for the Executive KMP for the year ended 30 June 2010 are set out as follows:

Name	Title	Maximum STI	Methodology
Robert G. Kirby	Executive Chairman	100% base salary	50% based on CFROI, 50% based on increase in EPS compared to ASX 300 performance
John R. Kirby	Executive Deputy Chairman	100% base salary	50% based on CFROI, 50% based on increase in EPS compared to ASX 300 performance
Graham W. Burke	Managing Director	100% base salary	50% based on CFROI, 50% based on increase in EPS compared to ASX 300 performance
Peter M. Harvie	Executive Director	Discretionary	Individual KPIs based on Austereo operating result targets
Philip S. Leggo	Group Company Secretary	\$450,000	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
Julie E. Raffe	Chief Financial Officer	\$500,000	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
Simon T. Phillipson	General Counsel	\$500,000	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance
Timothy Carroll	Chief Marketing Officer	\$650,000	Individual KPIs based on operating result targets
Peter J. Davey	Managing Director Corporate Developm't	100% base salary	Individual KPIs based on personal performance
David Kindlen	Chief Information Officer	\$200,000	50% based on individual KPIs, 25% based on CFROI, 25% based on increase in EPS compared to ASX 300 performance

The STI bonus payments made to each of the Executive Director KMP and the Executive Committee KMP in the periods ending 30 June 2010 and 30 June 2009 are detailed on pages 10 and 11 of this Report.

D. EXECUTIVE KMP COMPENSATION (continued)

5. Variable Remuneration — Long Term Incentive (“LTI”)

(a) Objective

The objective of the Company’s various LTI plans is to reward Executive KMP in a manner which assists in aligning this element of their remuneration with the creation of shareholder wealth.

Over the past five years there have been six different LTI plans within the consolidated entity:

- The Company’s 1996 Executive Share Plan and Loan Facility (“ESP”), which has been closed since July 2007;
- The Company’s 2005 Senior Executive Share Plan and Loan Facility (“SESP”) to the Company’s Chief Operating Officer, now closed;
- Austereo Group Limited’s 2001 Executive Share Plan and Loan Facility (“AESP”), which has been closed since January 2002;
- The 2001 issue of options over ordinary shares to the Company’s Managing Director, now expired;
- The 2008 Option Plan over ordinary shares to the Company’s Managing Director (“2008 OP”); and
- The Company’s 1993 Executive and Employee Option Plan (“EOP”), which has been closed since 1996.

With the exception of the 2008 OP, all LTI plans have been closed to further allotments and all are in effect legacy plans in wind-up mode. Participation in the LTI plans listed above for the Group’s Executive KMP are set out in Note 26 of the Financial Report.

All LTI plans have been approved by shareholders at the time of their introduction. Grants are made from time to time as appropriate or whenever there have been movements in the composition of the management team, and all proposed grants to Directors of the Company are put to shareholders for approval. The quantum of the LTI grants are made on a sliding scale reflective of the seniority of the position of the relevant executive and their ability to contribute to the overall performance of the Company.

Other than the two LTI plans for the Company’s Managing Director and the SESP, the legacy LTI plans are not designed specifically to remunerate Executive Committee KMP, unlike their fixed compensation or their STI bonus arrangements, although this may be the consequence of the LTI plans. The performance hurdles relevant to the 2008 grant of options to the Managing Director are described below, but otherwise the legacy LTI plans have no specific performance conditions for the vesting of the relevant shares other than tenure, subject to ongoing personal performance, and value to the Executive Committee KMP is derived from the Company’s share price performance.

Instead the legacy LTI plan’s may be regarded as a partial retention mechanism by the Group and encourage a sense of ownership with those Executive Committee KMP to whom the LTI’s are granted, assisting in aligning their long term interests with those of shareholders. The success of these retention grants under the LTI plans is demonstrated by the relatively stable membership of the Executive Committee KMP over the past decade, with most Executive Committee KMP having served the Group for significant periods of time, including prior to becoming Executive Committee KMP.

The shares the subject of the LTI plans are offered at no cost to the Executive Committee KMP and the benefits, if any, under the LTI plans are correlated to the performance of the Company via the share price performance of the underlying share.

The Company considers that the five year period over which the ESP and SESP shares (or four year period for the AESP as applicable) are ‘earned’ are appropriate given the shorter term performance hurdles to which each Executive KMP is subject. Furthermore the long term horizon of the loans from the consolidated entity for the ESP, SESP and AESP, which continue past the final vesting date of the shares for the duration of Executive KMP’s employment with the Company, further demonstrates the alignment of the long term interests of Executive KMP with those of the Company’s shareholders.

There are no provisions within any of the LTI plans for the automatic or full vesting of the relevant shares in the event of a change of control of the Company.

Other than as noted below, no options have been granted, exercised or lapsed during the reporting period. Details of unissued shares under option, shares issued as a result of the exercise of options and ‘in substance options’ held during the period in relation to Executive KMP and Non-Executive Director KMP of the Company are set out in Note 26 of the Financial Report.

The 4 main legacy LTI plans, the EOP, ESP, SESP and AESP, all feature limited recourse loans limited to security over the relevant shares, the latter 3 plans together with a buy-back option in the event the market value of the shares is less than the loan amount. Accordingly no hedging by Executive KMP is necessary, whether of vested or unvested shares. The Company has full control over all loans and the repayment thereof and full control over all shares including through holding locks. Accordingly, other than for the Managing Director’s 2008 ordinary options, the Company has no policy on hedging or margin lending by Executive KMP. In relation to the options granted to the Company’s Managing Director, Mr. Burke, on 18 July 2008, the terms of the offer specifically prohibit the hedging of unvested options by Mr. Burke. No hedging policy applies to legacy 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 Executive KMP after 7 November 2002 which have not vested as at 1 January 2005. Under AASB 2: *Share-based Payment* these are all deemed to be ‘in substance options’ even where the equity instrument itself is not a share option.

The fair value of such ‘in substance option’ grants are disclosed as part of Executive KMP compensation and are amortised on a straight-line basis over the vesting period. The Company does not consider it is appropriate to ascribe a ‘value’ to the LTI of Executive KMP for remuneration purposes other than the amortised fair value measurement in accordance with the provisions of AASB 2: *Share-based Payment*.

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

In addition to the amortised fair value of the relevant LTI plans, for all options or equity instruments granted to Executive KMP prior to 7 November 2002 which had vested as at 1 January 2005, being those grants to which AASB 2: *Share-based Payment* does not apply, an amount has been calculated to reflect the quantum of interest charged on the LTI loans where that is less than the 30 day commercial bill swap rate for the financial year (“BBSW rate”). Accordingly an amount representing the value of interest not charged on the LTI loans has been added under the Incentive Plan column for the relevant Executive KMP in the Remuneration tables detailed on pages 10 and 11 of this Report. This non-monetary benefit represents the difference between the actual rate charged and the deemed market rate as reflected in the BBSW rate. For the Austereo LTI the deemed market rate used for calculating the interest not charged amount is the weighted average effective interest rate for Austereo Group Limited.

A detailed summary of these various LTI plans is set out below with full details set out in Note 26 of the Financial Report.

D. EXECUTIVE KMP COMPENSATION (continued)

5. Variable Remuneration — Long Term Incentive (“LTI”) (continued)

(b) Structure

(i) Executive Share Plan and Loan Facility (“ESP”)

The Company’s ESP was approved by shareholders on 19 November 1996 and allows for the issue of up to 5% of the Company’s issued A Class preference shares to executives and 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 under the ESP were in his capacity as an executive of the consolidated entity and were prior to him becoming a Director of the Company. The ESP has been closed to further allotments since July 2007, but existing shares and loans held by continuing participants remain.

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

The shares are ‘earned’ at the rate of 20% per year over five years from date of issue. The loan bears interest at ten cents per share per annum and the first ten cents of every dividend per share 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.

If the Executive Committee KMP resigns or is dismissed, the restricted and ‘unearned’ shares are forfeited and the loan on the remaining unrestricted shares must be repaid within six months or such other time as approved by the Company’s Remuneration Committee. In circumstances where the market value of the remaining ESP shares at the end of the six month period is less than the amount owing on the loan, then the Company will buy-back the shares and cancel them in repayment of the loan without further recourse to the former Executive Committee KMP. This is the basis on which they have been classified as ‘in substance options’.

No allotments under the ESP have been made to any Executive Committee KMP during the year.

(ii) Senior Executive Share Plan and Loan Facility (“SESP”)

The Company’s SESP was approved by shareholders on 25 November 2005 and allowed for the issue of 1,000,000 ordinary shares and 1,000,000 A Class preference shares in the capital of the Company to the Company’s then Finance Director, Mr. P.E. Foo, under a Share Subscription and Loan Deed.

On 19 March 2007, Mr. Foo resigned as a Director of the Company but, as Group Chief Operating Officer, remained an Executive Committee KMP of the Company until 19 June 2009.

The SESP shares were issued at the 5-day weighted average price on the market prior to allotment, which was on 14 December 2005, rounded up to the next whole cent. The shares are held directly by Mr. Foo who paid for the allotment by obtaining a loan from the consolidated entity which holds the SESP shares as security.

As with the ESP, the SESP shares are ‘earned’ at the rate of 20% per year over five years from date of issue. The loans bear interest at ten cents per preference share and seven cents per ordinary share per annum with the first ten cents per preference share and seven cents per ordinary share of dividends in any year used to repay the interest accrued. 50% of any remaining dividends per share are used to repay the capital amount of the loans.

Following Mr. Foo’s cessation of employment on 4 August 2009, the vesting of Mr. Foo’s shares and repayment of the loan under the SESP was extended to December 2011. In circumstances where the market value of the remaining SESP shares 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 Mr. Foo. This is the basis on which they have been classified as ‘in substance options’. Under AASB 2: *Share-based Payment* this allotment is also deemed to be ‘in substance options’ even though the equity instrument itself is not an option.

No allotments under the SESP have been made to any Executive Committee KMP during the year.

(iii) Austereo Group Limited’s Executive Share Plan and Loan Facility (“AESP”)

The AESP, and the specific grant of shares to Mr. P.M. Harvie, was approved by shareholders of Austereo on 19 January 2001, and allows for the issue of up to 5% of Austereo’s issued ordinary shares to executives and employees of the Austereo consolidated entity. Executive Directors of Austereo are eligible to participate in the AESP. As Mr. Harvie is an Executive Director KMP of Village Roadshow Limited, this AESP is relevant to his remuneration arrangements. The AESP has been closed to further allotments since January 2002 but existing shares and loans held by continuing participants remain.

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

The shares are ‘earned’ at the rate of 25% per year over four years from date of grant. The loan bears interest at six cents per share per annum and the first six cents of dividends in any 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.

If Mr Harvie resigns or is dismissed, the restricted and ‘unearned’ shares are forfeited and the loan on the remaining unrestricted shares must be repaid within six months or such other time as approved by Austereo’s Directors. In circumstances where the market value of the remaining AESP shares at the end of the six month period is less than the amount owing on the loan, then Austereo will buy-back the shares and cancel them in repayment of the loan without further recourse to Mr. Harvie. This is basis on which they have been classified as ‘in substance options’.

Under AASB 2: *Share-based Payment*, any allotments under the AESP are also deemed to be ‘in substance options’ even though the equity instrument itself is not an option.

No allotments under the AESP have been made to any Executive Committee KMP during the year, and all grants pre-date the introduction of AASB 2: *Share-based Payment*.

(iv) 2001 Option Plan for Managing Director

The LTI grant on 15 May 2001 of six million options over ordinary shares in the Company to the Company’s Managing Director, Mr. G.W. Burke, a VRL Executive Director KMP, expired on 30 November 2007.

Two million options were exercisable at an exercise price of \$3.00 not earlier than 15 May 2004; two million options were exercisable at an exercise price of \$4.00 not earlier than 15 May 2005; and two million options were exercisable at an exercise price of \$5.00 not earlier than 15 May 2006. All the options were exercisable no later than 30 November 2007 or two years following the cessation of Mr. Burke’s employment with the Company, whichever was the earlier.

D. EXECUTIVE KMP COMPENSATION (continued)
5. Variable Remuneration — Long Term Incentive (“LTI”) (continued)
(b) Structure (continued)

On 25 October 2007 Mr. Burke exercised 2,000,000 ordinary options at an exercise price of \$2.85 after allowing for the capital return to ordinary shareholders in January 2007 and was allotted 2,000,000 ordinary shares. The 2,000,000 options exercisable at \$3.85 and the 2,000,000 options exercisable at \$4.85 (also after allowing for the capital return to ordinary shareholders in January 2007) held by Mr. Burke lapsed on 30 November 2007.

(v) 2008 Option Plan for Managing Director (“2008 OP”)

Upon the renewal in December 2007 of the employment contract of the Company’s Managing Director, Mr. G.W. Burke, a VRL Executive Director KMP, the contract required the replacement of the expired 2001 Option Plan (described above) with a grant of up to 6 million options over ordinary shares exercisable at \$3.00 per share, with vesting subject to performance hurdles relating to growth in earnings per share and growth in dividends. The 2008 OP was approved by the Company’s shareholders on 17 July 2008 and the options were issued on 18 July 2008.

Two million options are exercisable, subject to certain performance conditions not earlier than 1 March 2011; two million options are exercisable subject to certain performance conditions not earlier than 1 March 2012; and two million options are exercisable subject to certain performance conditions not earlier than 1 March 2013.

The earnings per share (“EPS”) performance hurdle has a starting point of 27 cents per ordinary share on 31 December 2007 and the dividend performance hurdle has a starting point of 9 cents per ordinary share on 31 December 2007, with growth measured on calendar year performance.

For all options to vest, the Company’s performance must meet a minimum 10% cumulative average growth rate (“CAGR”) in EPS over the 3 year vesting period for half of each tranche to vest, and must meet a minimum 10% CAGR in dividends paid over 2 out of the 3 year vesting period for the other half of each tranche to vest. For half of the options to vest, the Company’s performance must meet a minimum 5% CAGR in EPS over the 3 year vesting period for one quarter of each tranche to vest, and must meet a minimum 5% CAGR in dividends paid over 2 out of the 3 year vesting period for another quarter of each tranche to vest. Below 5% CAGR in either dividends or in EPS no options vest, with a pro-rata straight line vesting scale between 5% and 10% CAGR for each performance condition. The effect of the performance hurdles on the potential vesting of the options can be illustrated as follows:

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

Subject to ‘2 out of 3 years’ test

* A pro rata straight line vesting scale applies.

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

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

(vi) Executive and Employee Option Plan (“EOP”)

The Company’s EOP was approved by shareholders in November 1993 and allows for the issue of options over the Company’s issued ordinary and A Class preference shares to Executive Committee KMP and other executives. Directors of the Company were not eligible to participate in the EOP. All grants to Mr. P.M. Harvie under the EOP were in his capacity as an executive of the consolidated entity and were prior to him becoming an Executive Director KMP of the Company. The options were exercisable at the end of years one, two, three, four and five after the date of grant and were often exercised by obtaining a loan from the consolidated entity which held the resulting shares as security. Dividends are used to repay the interest accrued with any surplus dividend payment used to repay the capital amount of the loan.

The EOP is a legacy equity-linked performance plan as further allotments under the EOP were discontinued when the ESP was introduced in 1996, but existing shares and loans held by continuing participants remain.

(vii) Holdings of Executive KMP

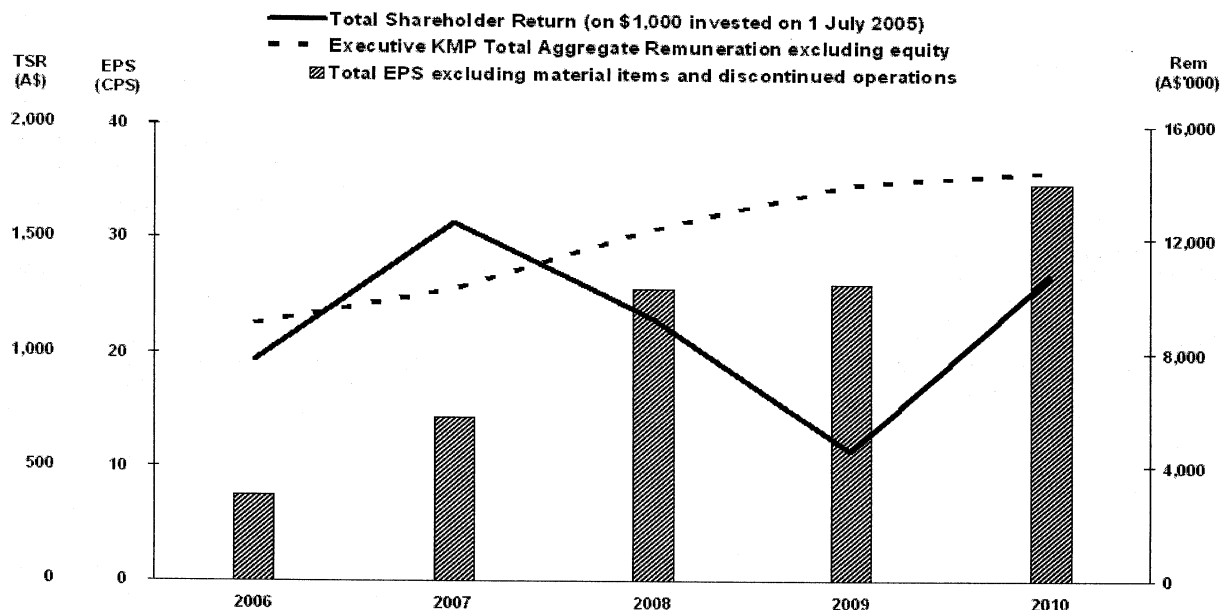
There have been no allotments to Executive Director KMP or Executive Committee KMP under any share based payment plan during the financial period. Details of the loans for such ‘in substance options’ held by Executive KMP of the Group, including their personally-related entities, under the share based payment plans during the financial period are set out in Note 26 of the Financial Report.

Allotments to any Executive KMP, including their personally-related entities, under the share based payment plans during the financial period and the relevant loans during the financial period are set out in Note 26 of the Financial Report. During the financial year, the number of shares in the Company and in Austereo in which the Executive KMP of the Group have a relevant interest, including their personally-related entities, are set out in Note 26 of the Financial Report.

6. Other benefits

The Group has other compensation arrangements with some Executive KMP such as travel and entertainment reimbursement for business only purposes and either Company maintained vehicles, vehicle leases or car allowances as part of their remuneration packages. In addition the payment of superannuation or retirement benefit amounts within prescribed statutory limits are made, including various ancillary insurance covers. Where relevant the grossed up taxable value of these benefits as fringe benefits have been included as a non-monetary benefit with the details of the value of these benefits set out on pages 10 and 11 of this Report.

E. COMPANY PERFORMANCE



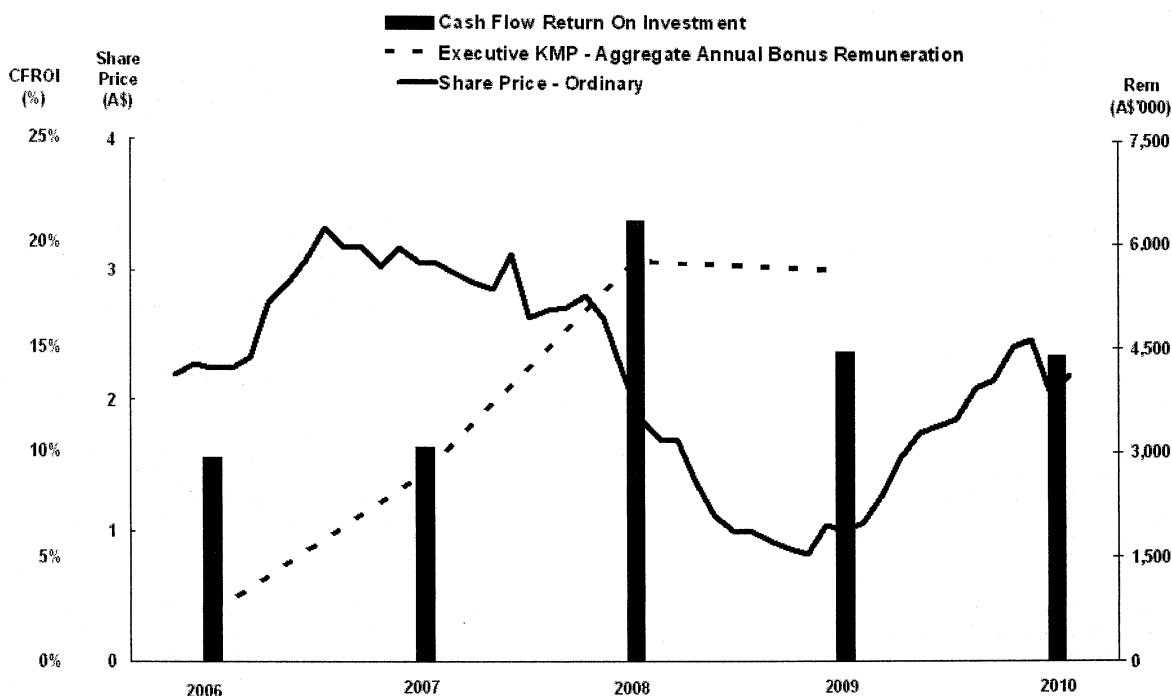
Total Shareholder Return – IRESS

The above chart reflects the Total Shareholder Return (“TSR”) of the Company for the current reporting period and in each of the four preceding years. It is based on the investment of \$1,000 in ordinary shares on 1 July 2005 and demonstrates the impact on shareholders of investing in ordinary shares over that five year time frame. TSR has been adversely impacted over the past couple of years by overall weaker share market conditions reflecting the adverse global economic circumstances.

The chart also shows the growth in Earnings Per Share (“EPS”), shown in cents per share, over the same five year period – this is the total EPS, excluding material items and discontinued operations, as reported for the year in relation to which the remuneration was paid, unadjusted for any subsequent changes (primarily relating to re-statements due to discontinued operations) for each of the past five years, measured against the weighted average ordinary and preference shares on issue for each year.

Overlaid over the TSR and EPS data is the total aggregate annual remuneration, including bonuses from all sources, of the VRL Executive Directors and relevant Executive Committee KMP. Excluded from the total aggregate remuneration is the notional value of share based equity payments as described above. This total aggregate annual remuneration on the same basis has also been shown for comparative purposes for the same pool of Executive KMP in each of the four preceding years. A freeze on Executive KMP base remuneration has been in place since January 2008.

The movement in total Executive KMP remuneration for the previous five years has broadly followed the change in TSR or EPS. Growth in EPS over the previous five years has for the most part outstripped any relative rise in total Executive KMP aggregate remuneration. In particular, the special dividends and capital return paid by the Company in the 2007 and 2008 financial years would have positively impacted on TSR for the most recent years but for the declining share price due to overall stock market weakness.



Ordinary share price month end closing price history - IRESS

E. COMPANY PERFORMANCE (continued)

The bonus amounts shown in the above chart are for the three VRL Executive Director KMP, Messrs R.G. Kirby, J.R. Kirby and G.W. Burke, and the four relevant Executive Committee KMP, and are those accrued for the year to which the payment relates. Other than for the VRL Executive Directors, prior to July 2007 the STI bonuses of Executive KMP were discretionary and were paid towards the end of each calendar year, hence they related to the performance of the Company in the prior period. The STI bonus amounts shown in the chart above have been amended to reflect this timing difference and where applicable these bonus payments have been normalised to match the STI amount that was paid as if it had been accrued for the relevant year.

The calculation of annual bonuses for the three named VRL Executive Director KMP and, from July 2007, for the 4 relevant Executive Committee KMP is divided into two components; one is driven by Cash Flow Return on Investment ("CFROI") and the other is determined by EPS performance. The two components together derive the movement in the VRL Executive Director KMP overall bonuses. For the purposes of calculating bonuses for the VRL Executive Director KMP, the CFROI used relates to normalised EBITDA as a percentage of capital employed, and capital employed is represented by total shareholders' capital plus net debt. Bonuses are calculated based on the growth in the ratio from year to year and from July 2007 are on a sliding scale between 10% and 20%.

As the relevant criteria for the payment of an annual bonus to the VRL Executive Director KMP were not met in the year ended 30 June 2006, no bonuses were due or payable.

No STI bonus data is shown in the above chart for the current reporting period as only the CFROI component is known, however the chart does reflect the total aggregate annual STI bonus remuneration of the VRL Executive Director KMP and relevant Executive Committee KMP for each of the four preceding years. Where Executive KMP have individual performance KPI's that are not linked to performance of the Company through CFROI or EPS, these have been excluded.

Where one-off 'transactional bonuses' have been paid arising from the successful completion of specific medium term strategic initiatives, these have been excluded for comparative purposes. These include a transactional bonus for Mr. Burke for the successful financial re-engineering of the Village Roadshow Pictures Group with Crescent Entertainment Inc. in October 2005.

Overlaid is the share price movement of the ordinary shares over the five years to 30 June 2010.

Accordingly both the level of remuneration and the at risk components of STI and LTI payments are directly linked to specific performance metrics of the Company and are designed to align the interests of the Executive KMP with those of shareholders.

F. EMPLOYMENT CONTRACTS

Compensation and other terms of employment for many of the Group's Executive KMP and Non-KMP Executives are formalised in service agreements.

The main terms of all major employment contracts and bonus payments are reviewed by the Remuneration Committee. The major provisions of the service agreements of these Group officers relating to compensation are as set out below.

1. Executive Director KMP

Mr. G.W. Burke's five year contract with the Company as Managing Director expires on 1 December 2012. In addition to base salary, CPI adjusted, superannuation and motor vehicle, an annual incentive performance bonus is payable for achieving certain EPS and CFROI levels. The contract also provides for the granting of six million options over ordinary shares with appropriate exercise hurdles, which were issued on 18 July 2008. In addition the contract provides for a potential loan from the Company of up to \$2 million on terms and conditions to be agreed by the Remuneration Committee of the Company. Other than a global twelve month non-compete clause, the contract does not provide for pre-determined compensation in the event of termination.

Mr. P.M. Harvie's contract with Austereo Pty Ltd as Executive Chairman of the Company's controlled entity, Austereo Group Limited, expires on 30 June 2012. In addition to base salary and superannuation, CPI adjusted, an annual discretionary performance bonus is payable together with participation in the ESP and AESP. Payment for termination without cause is equal to twelve months of salary and reflects the post employment restraints applicable to Mr. Harvie under his contract.

2. Executive Committee KMP

Messrs. T. Carroll, P. S. Leggo, S.T. Phillipson, P. Davey and Ms. J.E. Raffe all have ongoing employment agreements. In addition to base salary and superannuation, and a Company motor vehicle provided to Mr. Leggo and Ms. Raffe, all above named Group executives are eligible to be paid an annual discretionary performance bonus, which in the case of Mr. Carroll depends on performance against nominated EBITDA targets. In addition Messrs. P.S. Leggo, S.T. Phillipson, D. Kindlen and Ms. J.E. Raffe have STI performance bonus arrangements similar to VRL Executive Director KMP based on CFROI and EPS metrics. Mr. D. Kindlen does not have a formal service agreement with the Company.

Payment for termination without cause under these employment contracts for Messrs. Leggo, Carroll, Davey, Phillipson and Ms. Raffe is equal to twelve months of salary and reflects the post employment restraints applicable to these Executive Committee KMP under their relevant employment contracts. None of the above contracts provide for pre-determined compensation in the event of termination.

The Group may terminate an employment contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the senior manager is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested LTI plan shares and 'in substance options' are immediately forfeited and all remaining loans over such LTI shares must be repaid within 6 months of termination.

VILLAGE ROADSHOW LIMITED
ABN 43 010 672 054
Statement of Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	CONSOLIDATED 2009 \$'000
Continuing operations			
Income			
Revenues	(2(b))	1,256,226	1,229,976
Other income	(2(c))	26,221	28,166
Expenses excluding finance costs	(2(e))	(1,116,073)	(1,137,477)
Finance costs	(2(f))	(60,557)	(82,911)
Share of net profits (losses) of associates and jointly controlled entities accounted for using the equity method	(2(d))	(3,077)	(6,588)
Profit (loss) from continuing operations before income tax expense			
Income tax expense		102,740	31,166
Income tax (expense) benefit	(4)	(11,086)	(1,353)
Profit (loss) after tax from continuing operations		91,654	29,813
Discontinued operations			
Profit (loss) after tax	(31)	25,550	2,539
Net profit (loss) for the period		117,204	32,352
Profit for the period is attributable to:			
Non-controlling interest		22,369	19,703
Owners of the parent		94,835	12,649
		117,204	32,352
Other comprehensive income			
Cash flow hedges		4,798	(6,003)
Foreign currency translation		(5,528)	636
Income tax (expense) benefit on items of other comprehensive income		(1,439)	1,801
Other comprehensive income (expense) for the period after tax		(2,169)	(3,566)
Total comprehensive income for the period		115,035	28,786
Total comprehensive income for the period is attributable to:			
Non-controlling interest		23,016	19,703
Owners of the parent		92,019	9,083
		115,035	28,786
Earnings per share (cents per share)			
For profit (loss) for the year attributable to ordinary equity holders of Village Roadshow Limited:			
- Basic and diluted earnings per share	(3)	72.88	(2.17)
For profit (loss) from continuing operations for the year attributable to ordinary equity holders of Village Roadshow Limited:			
- Basic and diluted earnings per share	(3)	51.41	(4.17)

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

	Notes	2010 \$'000	CONSOLIDATED 2009 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(6(a))	101,720	79,626
Trade and other receivables	(7)	163,566	221,578
Inventories	(8)	19,600	21,482
Current tax assets		218	723
Film distribution royalties	(10(b))	28,310	56,094
Derivatives	(33(e))	687	228
Other	(10(a))	7,857	9,823
Total current assets		321,958	389,554
Non-Current Assets			
Trade and other receivables	(7)	76,420	60,318
Intangible assets:			
Radio licences	(9)	457,901	453,194
Goodwill	(9)	330,882	334,093
Other	(9)	58,640	66,463
Investments in associates and jointly controlled entities accounted for using the equity method	(11)	28,217	23,666
Available-for-sale investments	(12)	843	859
Property, plant & equipment	(14)	662,576	745,817
Deferred tax assets	(4(c))	34,693	52,573
Film distribution royalties	(10(b))	51,283	58,437
Derivatives	(33(e))	-	94
Other	(10(a))	4,407	7,392
Total non-current assets		1,705,862	1,802,906
Total assets		2,027,820	2,192,460
LIABILITIES			
Current Liabilities			
Trade and other payables	(15)	226,358	264,502
Interest bearing loans and borrowings	(16)	66,451	270,251
Income tax payable		4,657	5,561
Provisions	(17)	27,633	37,327
Derivatives	(33(e))	3,419	11,686
Other	(18)	30,100	29,787
Total current liabilities		358,618	619,114
Non-Current Liabilities			
Payables	(15)	31,988	30,097
Interest bearing loans and borrowings	(16)	862,362	709,280
Deferred & other income tax liabilities	(4(c))	63,486	93,608
Provisions	(17)	21,385	24,094
Derivatives	(33(e))	1,710	4,904
Other	(18)	2,010	2,282
Total non-current liabilities		982,941	864,265
Total liabilities		1,341,559	1,483,379
Net assets		686,261	709,081
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	(19)	280,316	388,739
Reserves	(20)	319,655	323,434
Accumulated losses	(20)	(42,174)	(123,189)
Parent interests		557,797	588,984
Non-controlling interest	(21)	128,464	120,097
Total equity		686,261	709,081

The above balance sheet should be read in conjunction with the accompanying notes.

VILLAGE ROADSHOW LIMITED
ABN 43 010 672 054
Cash Flow Statement
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	CONSOLIDATED 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,339,786	1,410,599
Payments to suppliers and employees		(1,062,735)	(1,141,786)
Dividends and distributions received		6,933	1,000
Interest and other items of similar nature received		5,529	7,768
Finance costs		(64,456)	(63,665)
Income taxes paid		(19,071)	(27,102)
Partnership profits received		-	767
Net cash flows from (used in) operating activities	(6(b))	205,986	187,581
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant, equipment and intangibles		(61,587)	(107,161)
Proceeds from sale of property, plant & equipment		139	-
Purchase of equity investments ¹		(940)	(15,243)
Proceeds on sale of equity investments ²		76,354	-
Loans to (or repaid to) other entities		(34,404)	(45,975)
Loans from (or repaid by) other entities		11,769	8,239
Other		1,006	(6,413)
Net cash flows from (used in) investing activities		(7,663)	(166,553)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		371,051	239,823
Repayment of borrowings		(398,713)	(200,683)
Dividends paid		(38,270)	(39,650)
Share buy backs		(109,896)	(7,003)
Net cash flows from (used in) financing activities		(175,828)	(7,513)
Net increase (decrease) in cash and cash equivalents		22,495	13,515
Cash and cash equivalents at beginning of year		79,626	65,614
Effects of exchange rate changes on cash		(401)	497
Cash and cash equivalents at end of year	(6(a))	101,720	79,626
Total cash classified as:			
Continuing operations		101,720	79,626

¹ Payment for purchases of investments in 2009 of \$15.2 million includes \$10.8 million for the acquisition of Kelly Tarlton's Antarctic Encounter & Underwater World and \$3.6 million for the acquisition of Harvest Family Entertainment (Phoenix).

² Proceeds on sale of investments in 2010 of \$76.4 million includes \$72.7 million relating to the disposal of the Greece and Czech Republic operations - refer Note 31.

The above cash flow statement should be read in conjunction with the accompanying notes.

VILLAGE ROADSHOW LIMITED
 ABN 43 010 672 054
 Statement of Changes in Equity
 FOR THE YEAR ENDED 30 JUNE 2010

	ATTRIBUTABLE TO EQUITY HOLDERS OF VILLAGE ROADSHOW LIMITED				NON-CONTROLLING INTEREST	TOTAL EQUITY
	ISSUED CAPITAL \$ '000	ACCUMULATED LOSSES \$ '000	OTHER RESERVES (NOTE 20) \$ '000	TOTAL \$ '000		
CONSOLIDATED						
<i>Balances at 1 July 2008</i>	388,977	(98,767)	319,262	609,472	123,291	732,763
Profit for the year	-	12,649	-	12,649	19,703	32,352
Other comprehensive income (net)	-	-	(3,566)	(3,566)	-	(3,566)
Total comprehensive income (expense) for the period						
Share-based payment movements	526	-	2,321	2,847	-	2,847
Buyback of shares - A class preference shares	(764)	-	-	(764)	(3,256)	(4,020)
Equity dividends	-	(31,586)	-	(31,586)	-	(31,586)
Dividend paid to non-controlling interest	-	-	-	-	(16,486)	(16,486)
Movements resulting from changes in controlled entity share and buyback reserve and non-controlling interest	-	-	(140)	(140)	(3,155)	(3,295)
Transfers between reserves	-	(5,485)	5,485	-	-	-
Other changes in equity	-	-	72	72	-	72
At 30 June 2009	388,739	(123,189)	323,434	588,984	120,097	709,081
<i>Balances at 1 July 2009</i>	388,739	(123,189)	323,434	588,984	120,097	709,081
Profit for the year	-	94,835	-	94,835	22,369	117,204
Other comprehensive income (net)	-	-	(2,816)	(2,816)	647	(2,169)
Total comprehensive income (expense) for the period						
Share-based payment movements	388	-	2,816	3,204	23,016	115,035
Buyback of shares- ordinary & A class preference shares	(108,811)	-	1,033	(107,778)	-	(107,778)
Equity dividends	-	(14,952)	-	(14,952)	-	(14,952)
Dividend paid to non-controlling interest	-	-	-	-	(14,897)	(14,897)
Transfers between reserves	-	1,132	(1,132)	-	-	-
Other changes in equity	-	-	(864)	(864)	248	(616)
At 30 June 2010	280,316	(42,174)	319,655	557,797	128,464	686,261

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

(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 2010 was authorised for issue on 31 August 2010, in accordance with a resolution of the Directors. VRL is 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 30.

(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 otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

The presentation and classification of comparative items in the financial report have been adjusted where appropriate to ensure that the disclosures are consistent with the current period.

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

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

(ii) The Company has performed an assessment of the potential impact of Australian Accounting Standards and Interpretations that are new or have recently been amended but are not effective until after the annual reporting period ended 30 June 2010. The analysis showed no significant impact on financial results, as the main impacts are on disclosures.

(iii) The following Accounting Standard has not been adopted by the Group, but it is able to be early adopted from 1 July 2009 onwards:

AASB 9: *Financial Instruments* - this standard is compulsory from 1 January 2013. The standard introduces a number of changes to financial assets with the most significant being as follows:

- two categories for financial assets being amortised cost or fair value;
- removal of the requirement to separate embedded derivatives in financial assets;
- strict requirements to determine which financial assets can be classified as amortised cost or fair value - financial assets can only be classified as amortised cost if the contractual cash flows from the instrument represent principal and interest, and the entity's purpose for holding the instrument is to collect the contractual cash flows;
- an option, for investments in equity instruments which are not held for trading, to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition;
- reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; and
- changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.

The impact of these changes are yet to be determined.

(iv) The Group has adopted the following new standards in the current financial year:

From 1 July 2009, the Group has adopted AASB 101: *Presentation of Financial Statements (revised 2007)*, AASB 8: *Operating Segments*, AASB 123: *Borrowing Costs*, AASB 7: *Financial Instruments: Disclosures* and AASB 3: *Business Combinations (Revised)*, all of which are mandatory for the annual periods beginning on or after 1 January 2009, and the Group has also adopted AASB 127: *Consolidated and Separate Financial Statements*, which was applicable from 1 July 2009. Adoption of these Accounting Standards did not have any impact on the financial position or performance of the Group, with the main changes being as follows:

AASB 101: *Presentation of Financial Statements*. This standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes presented in a reconciliation of each component of equity and included in the new statement of comprehensive income.

AASB 8: *Operating Segments*. AASB 8 replaced AASB 114: *Segment Reporting* effective from 1 January 2009. AASB 8 disclosures are shown in Note 30, including the revised comparative information.

AASB 123: *Borrowing Costs*. The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This is consistent with the Group's previous policy.

AASB 7: *Financial Instruments: Disclosures*. The amended standard requires additional disclosures about fair value measurement. Fair value measurements related to financial instruments are to be disclosed by source of inputs using a three level hierarchy, by class. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets and liabilities used for liquidity management. The amended disclosures are presented in Note 33.

AASB 3: *Business Combinations (Revised)*. This standard became applicable during the 2010 financial year, but as the Group has not acquired any businesses in the current period, this standard has not had any impact.

AASB 127: *Consolidated and Separate Financial Statements*. The amended standard requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised standard changes the accounting for losses incurred by a partially-owned subsidiary as well as the loss of control of a subsidiary. The changes will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

(v) The Group has early adopted the improvements to AASB 101: *Presentation of Financial Statements* and AASB 8: *Operating Segments*, with the impact being that the analysis of the components of equity recorded in other comprehensive income have been disclosed in the notes to the financial statements, and the segment note only having to show allocations of assets and liabilities if they are reported to the chief operating decision maker, which is not applicable to 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. Non-controlling interests represent the portion of profit or loss and net assets in Austereo Group Limited not held by the Group, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet.

(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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Summary of significant accounting policies** (continued)**(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. Income derived from airtime sales is recognised based on when services to the customers are rendered, that is, when the advertising is aired.

(c) Interest income

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

(d) Dividends

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

(e) Unearned income

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

(iv) Borrowing costs

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

(v) Leases

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

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

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

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

(vi) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(vii) Trade and other receivables

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

(viii) Inventories

Inventories are valued at the lower of cost and net realisable value and are accounted for on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(ix) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps, caps and collars (floors and caps) to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as effective cash flow hedges, are taken directly to net profit or loss for the year. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

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

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

Amounts taken to other comprehensive income are transferred to the 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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Summary of significant accounting policies** (continued)**(x) Impairment of financial assets**

The Group assesses at each balance sheet 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

If there is objective evidence that an available-for-sale investment 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 the income statement. 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 balance sheet 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 balance sheet date and their profit or loss items are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(xii) Discontinued operations and assets held for sale

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

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if the carrying amount will be recovered principally through a sale transaction. These assets are not depreciated or amortised following classification as held for sale. For an asset or disposal group to be classified as held for sale, it must be available for sale in its present condition and its sale must be highly probable.

(xiii) Investments in associates

The Group's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate.

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

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

(xiv) Interests in joint venture entities and jointly controlled operations

The Group has interests in joint ventures in the form of both jointly controlled operations and joint venture entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interests in joint venture entities by using the equity method of accounting (refer Note 1(c)(xiii)). The Group recognises its interest in jointly controlled operations by recognising its share of the assets that the operations control and the liabilities incurred. The Group also recognises its share of the expenses incurred and the income that the operations earn from the sale of goods or services.

(xv) Income tax

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

Deferred income tax is provided on all temporary differences at the balance sheet 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.

(1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Summary of significant accounting policies** (continued)**(xv) Income tax** (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet 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 balance sheet 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 Tax Consolidated groups, and have executed combined Tax Sharing and Tax Funding Agreements ("TSA's") in order to allocate income tax expense to the relevant wholly-owned entities predominantly on a stand-alone basis. In addition, the TSA's provide 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 groups

Under the terms of the TSA's, wholly owned entities compensate the head entity for any current tax payable assumed and are compensated for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred 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's 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 balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xvii) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings and improvements are depreciated over forty years using the straight line method.
- Plant, equipment and vehicles are depreciated over periods of between three and 20 years using the straight line or reducing balance method.

Pooled animals are classified as part of property, plant and equipment and are not depreciated.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end, and when acquired as part of a business combination.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

De-recognition and disposal

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

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

(c) Summary of significant accounting policies (continued)

(xviii) Investments and other financial assets (continued)

(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 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 balance sheet 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 or in a business combination 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 the profit or loss in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Radio Licences

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.

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

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.

Other Intangibles

Useful lives: Finite

Amortisation method used: Amortised over estimated useful lives

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.

The radio licences of Austereo Group Limited and its subsidiaries ("Austereo") are carried at original cost less any impairment losses. This value is supported by an independent valuation which is commissioned annually and updated six monthly. The independent valuation employs as its primary valuation methodology a discounted cash flow ("DCF") analysis of the future projected cash flows of Austereo provided by management for six years adjusted for a termination value based on current market estimates. These are then discounted at rates which reflect Austereo's pre-tax asset specific discount rate as at the most recent balance date. The independent valuer also cross references its DCF-based valuation with a number of secondary valuation methodologies which are intended to determine the fair market value of the licences of Austereo's radio stations.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Summary of significant accounting policies** (continued)**(xxi) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the nature of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

(xxii) Trade and other payables

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

(xxiii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are de-recognised.

(xxiv) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(xxv) Employee leave benefits*Wages, salaries, annual leave and sick leave*

Provision is made for wages and salaries, including non-monetary benefits, and annual leave in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. The value of the employee share incentive scheme is being charged as an employee benefits expense. Refer to Note 1(c)(xxvi) for the share-based payment transactions policy.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(xxvi) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The plans currently in place to provide these benefits are the Company's Executive Share Plan and Loan Facility, the Senior Executive Share Plan and Loan Facility, the Company's Executive Option Plan, Austereo Group Ltd's Executive Share Plan and Loan Facility, and the 2008 Option Plan for the Company's Managing Director, which provide benefits to directors and senior executives. The grant of rights under these plans are treated as "in substance options", even where the equity instrument is not an option.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either the Monte Carlo, binomial or Black-Scholes models. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of VRL (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

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

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

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

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

Shares in the Group relating to the various employee share plans and which are subject to non-recourse loans are deducted from equity. Refer Note 26 for share-based payment disclosures relating to "in substance options".

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(1) CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Summary of significant accounting policies** (continued)**(xxvii) Contributed equity**

Ordinary and preference 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
- Attractions (new reportable division)	Aquariums and other attraction operations
- Cinema Exhibition	Cinema exhibition operations
- Film Distribution	Film, DVD and video distribution operations
- Radio	FM radio operations

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.

The segment revenue that is disclosed to the chief operating decision maker in Note 30 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 15 and Note 32 have been assessed using a probability weighted discounted cash flow approach. In order to estimate the fair value under this approach the following assumptions were made:

- Probability of Default: This represents the likelihood of the guaranteed party defaulting in the remaining guarantee period and is assessed based on historical default rates of companies rated by Standard & Poors. The probability of default ranges used for the years ended 30 June 2010 and 30 June 2009 were 19.5% to 25.8%.
- Recovery Rate: This represents the estimated proportion of the exposure that is expected to be recovered in the event of a default by the guaranteed party and is estimated based on the business of the guaranteed parties. The recovery rate ranges used for the years ended 30 June 2010 and 30 June 2009 were 40% to 60%.

The values of the financial guarantees over each future year of the guarantees' lives is discounted over the contractual term of the guarantees to reporting date to determine the fair values. The contractual term of the guarantees matches the underlying obligations to which they relate. The financial guarantee liabilities determined using this method are then amortised over the remaining contractual term of the guarantees.

(xxxi) Film distribution royalties

Film distribution royalties represent the economic 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 balance sheet 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 the profit or loss. The forecast royalties are then reviewed and revised over the commitment period to ensure the carrying amount is equal to the lesser of the expected future royalties to be generated or the balance of the minimum guaranteed royalties.

(d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 9.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, a Monte Carlo simulation technique or the Black-Scholes model, as appropriate, using the assumptions detailed in Note 26.

(iii) Impairment of film distribution royalties

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

(iv) Income Taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due (refer to Note 22(a)(vi)). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

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

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

	Notes	2010 \$'000	CONSOLIDATED 2009 \$'000
(2) REVENUE AND EXPENSES			
(a) Reconciliation of Operating Profit			
Profit (loss) from continuing operations before income tax expense		102,740	31,166
Less: material items of income and expense profit (loss) before tax	(2(g))	(22,315)	(79,688)
Profit (loss) before tax excluding discontinued operations & material items of income and expense		125,055	110,854
Income tax (expense) benefit excluding discontinued operations & material items of income and expense		(36,819)	(33,371)
Less: Profit attributable to non-controlling interest excluding discontinued operations & material items of income and expense		(22,369)	(21,507)
Net profit (loss) attributable to members excluding discontinued operations & material items of income and expense		65,867	55,976
(b) Revenue from continuing operations			
Sale of goods		373,541	404,427
Rendering of services		877,155	817,917
Finance revenue -			
Other entities		4,619	5,201
Associated entities		911	2,431
Total revenues from continuing operations		1,256,226	1,229,976
(c) Other Income from continuing operations			
Commission from -			
Other entities		102	52
Associated entities		22	13
Management Fees from -			
Other entities		4,761	4,549
Associated entities		2,763	2,995
Rental Income		950	652
Net gains on disposal of investments in associates and other entities		1,617	-
Other		16,006	19,905
		26,221	28,166
(d) Share of net profits (losses) of associates and joint venture entities/partnerships accounted for using the equity method			
Share of associates' net profits	(11(a))	7,809	4,936
Share of joint venture entities/partnerships' net profits (losses)	(11(b))	(10,886)	(11,524)
		(3,077)	(6,588)

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(2) REVENUE AND EXPENSES (continued)		
(e) Expenses excluding finance costs from continuing operations		
Employee expenses -		
Employee benefits	18,031	15,713
Defined contribution superannuation expense	19,726	18,694
Share-based payments expense	978	1,374
Remuneration and other employee expenses	268,744	262,534
Total employee expenses	307,479	298,315
Cost of goods sold	83,053	93,012
Occupancy expenses -		
Operating lease rental - minimum lease payments	53,635	52,014
Operating lease rental - contingent rental payments	6,949	4,486
Other occupancy expenses	33,395	35,833
Total occupancy expenses	93,979	92,333
Film hire and other film expenses	269,145	266,933
Depreciation of -		
Buildings & improvements	2,513	2,475
Plant, equipment & vehicles	44,092	40,561
Amortisation of -		
Leasehold improvements	11,945	12,079
Finance lease assets	1,673	120
Deferred expenditure	22	16
Other intangibles	7,211	11,803
Total depreciation and amortisation	67,456	67,054
Impairment of -		
Goodwill	-	36,906
Plant, equipment & vehicles	3,329	4,400
Investments - other	-	3,800
Other intangibles	-	600
Leasehold improvements	16,671	-
Total impairment charges (refer Note 2(g))	20,000	45,706
Net Loss on disposal of property, plant and equipment	715	1,088
Net Loss on disposal of investments	-	15
Net Loss on disposal of receivables	175	-
Net foreign currency (gains) losses (refer Note 2(g) for 2010)	5,685	(1,235)
Deferred expenditure written off	85	3,256
Write-downs and provisions relating to non-current assets (refer Note 2(g))	2,145	8,888
Unrealised mark to market (gain) loss on foreign exchange derivatives (refer Note 2(g))	(74)	2,465
Provision for loss on loans	29	633
Management and services fees paid	4,054	3,484
Advertising and promotions	109,638	108,119
Regulatory and licensing fees	22,451	21,140
Settlement and other discounts	18,405	18,902
Telecommunications	8,217	8,564
Legal expenses	1,911	1,600
General and administration expenses -		
Provision for doubtful debts	477	2,660
Bad debts written off (written back) - other	(110)	(520)
Other general and administration expenses	101,158	95,065
Total general and administration expenses	101,525	97,205
Total expenses excluding finance costs	1,116,073	1,137,477

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(2) REVENUES AND EXPENSES (continued)		
(f) Finance Costs		
Bank loans and overdrafts	64,456	62,080
Finance charges payable under finance leases and hire purchase contracts	34	30
Make good provision discount adjustment	82	39
Other	2,994	2,751
Total finance costs before fair value change on derivatives	67,566	64,900
Fair value change on derivatives - held for trading (refer Note 2(g)) ¹	(7,009)	18,011
Total finance costs	60,557	82,911

¹ The derivatives held for trading relate to interest rate exposures that the consolidated entity is exposed to but which have not been designated in a hedging relationship under Australian Accounting Standards.

(g) Material Items of Income and expense from continuing operations

The following material items of income and expense, which are included in the results shown in the statement of comprehensive income, are relevant in explaining the financial performance of the Group.

Impairment, write-downs and provisions relating to non-current assets ¹	(24,354)	(59,212)
Unrealised mark to market profits (losses) on interest rate and foreign currency derivatives not designated in hedging relationships ²	7,083	(20,476)
Net realised foreign currency profits (losses) on non-recurring items	(5,044)	-
Total profit (loss) from material items of income and expense before tax	(22,315)	(79,688)
Income tax benefit	25,733	32,018
Total profit (loss) from material items of income and expense after tax	3,418	(47,670)
Loss attributable to non-controlling interest - material items	-	1,804
Attributable profit (loss) from material items of income and expense after tax	3,418	(45,866)

¹ The impairment, write-downs and provisions expense comprises \$22.1 million (2009: \$54.6 million) as disclosed in Note 2(e), and \$2.2 million (2009: \$4.6 million) for the write down of investment in Gold Class USA (refer Note 11(b)(ii)).

² Unrealised mark to market profits (losses) on interest rate and foreign currency derivatives includes a gain of \$7.0 million (2009: loss of \$18.0 million) disclosed in Note 2(f), and a gain of \$0.1 million (2009: loss of \$2.5 million) disclosed in Note 2(e).

(3) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit less preference dividends paid and accrued for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2010	CONSOLIDATED 2009
(a) Earnings Per Share:		
Net profit attributable to ordinary equity holders of VRL		
Basic and diluted EPS	72.88 cents	(2.17) cents
Net profit from continuing operations attributable to ordinary equity holders of VRL		
Basic and diluted EPS	51.41 cents	(4.17) cents
(b) Earnings Per Share adjusted to eliminate discontinued operations and material items of income and expense from the calculations ¹		
Basic and diluted EPS	48.54 cents	31.97 cents

¹ Alternative disclosure based on attributable net profit of \$65.867 million (2009: \$55.976 million) - refer Note 2(a).

(3) EARNINGS PER SHARE (continued)

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

	2010	CONSOLIDATED 2009
	\$'000	\$'000
Net profit attributable to ordinary equity holders of VRL from continuing operations	69,285	10,110
Net profit attributable to ordinary equity holders of VRL from discontinued operations	25,550	2,539
Net profit attributable to ordinary equity holders of VRL	94,835	12,649
Less: Net profit (loss) attributable to discontinued operations and material items of income and expense	28,968	(43,327)
Net profit attributable to ordinary equity holders of VRL excluding discontinued operations and material items of income and expense	65,867	55,976
	2010	2009
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic earnings per share ¹	119,015,814	126,908,449

¹ There are no potential ordinary shares that are dilutive. The 6,000,000 issued options were reviewed and determined not to be potential ordinary shares as at 30 June 2010 and 2009.

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 treated as 'in-substance' options. Shares issued under these plans that are treated as 'in-substance' options are included in ordinary shares for the purposes of the EPS calculation.

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(4) INCOME TAX		
(a) Major components of income tax expense from continuing operations for the years ended 30 June 2010 and 2009 are:		
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax (expense) benefit	(19,497)	(17,786)
Adjustments in respect of current income tax of prior years	1,227	(810)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(10,903)	(4,136)
Movements taken up in equity instead of income tax (expense) benefit	(1,713)	(1,046)
Reversal of previously recognised income tax losses	-	(6,275)
<i>Other non-current tax liabilities</i>		
Other	19,800	28,700
Income tax (expense) benefit reported in statement of comprehensive income - continuing operations	(11,086)	(1,353)
(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:		
Accounting profit (loss) before tax from continuing operations	102,740	31,166
Accounting profit (loss) before tax from discontinued operations	22,205	2,578
Accounting profit (loss) before income tax	124,945	33,744
At the statutory income tax rate of 30% (2009: 30%)	(37,484)	(10,123)
Discontinued operations profit on disposal non-assessable, and expenses deductible	10,007	-
Adjustments in respect of current income tax of previous years	1,996	1,945
Non-deductible expenditure	(1,397)	(14,474)
Foreign tax credits not previously brought to account, now utilised	1,021	1,875
After-tax equity accounted profits (losses) included in pre-tax profit	(923)	(1,976)
Adjustments to deferred tax assets and other non-current tax liabilities	19,800	22,425
Other	(761)	(1,064)
At effective income tax rate of 6% (2009: 4%)	(7,741)	(1,392)
Income tax (expense) benefit - continuing operations	(11,086)	(1,353)
Income tax (expense) benefit - discontinued operations (refer Note 31)	3,345	(39)
Total income tax (expense) benefit	(7,741)	(1,392)

	BALANCE SHEET		STATEMENT OF COMPREHENSIVE INCOME	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(4) INCOME TAX <i>(continued)</i>				
(c) Deferred tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Property, plant & equipment	37,974	35,417	(2,557)	(606)
Film distribution royalties	23,660	29,077	5,417	4,750
Intangible assets	5,356	7,352	1,996	3,074
Other	7,036	8,728	1,692	(4,372)
Net-down with deferred tax assets	(35,440)	(31,666)	-	-
Total deferred income tax liabilities	38,586	48,908		
Other non-current tax liabilities				
Other	24,900	44,700	19,800	28,700
Deferred tax assets				
Post-employment benefits	9,723	9,628	95	515
Property, plant & equipment	15,662	9,638	6,024	6,496
Sundry creditors & accruals	4,217	4,980	(763)	601
Provision for doubtful debts	1,897	1,939	(42)	(102)
Expenses deductible over five year period	1,256	3,062	(1,806)	(5,288)
Provisions and unrealised foreign currency losses	11,129	9,714	1,415	(710)
Unearned income	1,805	1,908	(103)	523
Lease & other liabilities	5,993	8,654	(2,661)	4,850
Booked income tax losses	11,203	26,609	(15,406)	(22,902)
Other	7,248	8,107	(859)	2,760
Net-down with deferred tax liabilities	(35,440)	(31,666)	-	-
Total deferred income tax assets	34,693	52,573		
Deferred income tax (expense) benefit			12,242	18,289
	CONSOLIDATED			
	2010	2009		
	\$'000	\$'000		
(d) The following deferred tax assets arising from tax losses and credits of the Village Roadshow Limited ("VRL") Tax Consolidated Group have not been brought to account as realisation of those benefits is not probable -				
Benefits for foreign tax credits ¹	5,532	8,807		
Benefits for capital losses ²	28,757	24,773		

¹ The majority of the unbooked foreign tax credits expire by 30 June 2013 if not used by that date.

² The unbooked capital losses include an amount of \$12.5 million (2009: \$12.5 million) which will only be able to be utilised in accordance with an available fraction of 30%.

These benefits will only be obtained if:

- the VRL Tax Consolidated Group derives future assessable income of a nature and amount sufficient to enable the benefits of deductions for the losses to be realised;
- there is continuity of compliance with the conditions for deductibility, imposed by law; and
- no changes in tax legislation adversely affect the VRL Tax Consolidated Group from realising the benefits of deductions for the losses.

Austereo Group Limited - Tax Consolidation

Effective from 1 July 2002, Austereo Group Limited ("Austereo") and its relevant wholly-owned entities have formed a Tax Consolidated group. Members of the group have entered into 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 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 Austereo. Austereo has formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

Village Roadshow Limited - Tax Consolidation

Effective from 1 July 2003, VRL and its relevant wholly-owned entities have formed a Tax Consolidated group. Members of the Tax Consolidated group have entered into a TSA in order to allocate income tax expense to the wholly-owned entities predominantly on a stand-alone basis. In addition, the TSA provides for the allocation of income tax liabilities between the entities should the head entity default on its income tax payment obligations to the Australian Taxation Office. At balance date, the possibility of default is remote. The head entity of the Tax Consolidated group is VRL. VRL has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

The Group has determined that it will not transfer any revenue or capital losses into the VRL Tax Consolidation group. These losses, subject to various restrictions, remain available to offset any additional assessable income in relation to tax years ended on or before 30 June 2003.

Village Roadshow Limited - Tax Consolidation contribution amounts

In the year ended 30 June 2010, VRL recognised a decrease in deferred tax assets relating to booked income tax losses of \$38.1 million, and an increase in inter-company receivables of the same amount in relation to tax consolidation contribution amounts. In the year ended 30 June 2009, VRL recognised a decrease in deferred tax assets relating to booked income tax losses of \$39.1 million, and an increase in inter-company receivables of the same amount in relation to tax consolidation contribution amounts.

	2010 \$'000	CONSOLIDATED 2009 \$'000
(5) DIVIDENDS PAID AND PROPOSED¹		
(a) Declared during the year		
Fully-franked final dividend on A Class preference shares of 9.0 cents per share (2009: 12.0 cents per share) ³	8,099	11,742
Fully-franked final dividend on ordinary shares of 6.0 cents per share (2009: 9.0 cents per share) ³	6,853	11,422
Fully-franked interim dividend on A Class preference shares of Nil cents per share (2009: 3.75 cents per share) ²	-	3,663
Fully-franked interim dividend on ordinary shares of Nil cents per share (2009: 3.75 cents per share) ²	-	4,759
	14,952	31,586
(b) Declared subsequent to year-end³		
Fully-franked final dividend on A Class preference shares of Nil cents per share (2009: 9.0 cents per share)	-	8,789
Fully-franked final dividend on ordinary shares of Nil cents per share (2009: 6.0 cents per share)	-	7,615
	-	16,404
<p>¹ The tax rate at which paid dividends have been franked is 30% (2009: 30%).</p> <p>² The interim dividend for the year ended 30 June 2009, which was declared prior to the end of the financial year and paid subsequent to year end, was accrued in the 30 June 2009 accounts.</p> <p>³ The final dividend for the year ended 30 June 2009, which was declared subsequent to year-end was not accrued in the 30 June 2009 accounts, and the actual amounts paid are as shown in note 5(a) above for 2010.</p>		
(6) CASH AND CASH EQUIVALENTS		
(a) Reconciliation of cash		
Cash on hand and at bank	60,429	59,863
Deposits at call	41,291	19,763
Total cash and cash equivalents - continuing operations	101,720	79,626
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Total cash and cash equivalents - continuing operations	101,720	79,626
Total cash and cash equivalents for the purposes of the Cash Flow Statement	101,720	79,626
(b) Reconciliation of operating profit after tax to net operating cash flows		
Net operating profit (loss)	117,204	32,352
Adjustments for:		
Depreciation	46,606	46,259
Amortisation	20,851	29,021
Impairment and write-downs of non-current assets (refer Notes 2(e) and 2(g))	22,145	45,706
Provisions	(2,000)	3,685
Net (gains) losses on disposal of assets	(904)	1,030
Unrealised foreign currency (profit)/loss	911	-
Unrealised derivative (gain) loss (refer Notes 2(e), 2(f) and 2(g))	(7,083)	20,476
Share of equity accounted losses	10,010	8,355
(Profit) from discontinued operations	(25,550)	(2,539)
Changes in assets & liabilities:		
(Increase) decrease trade and other receivables	20,087	2,082
Increase (decrease) trade and other payables	18,525	31,798
(Increase) decrease net current tax assets	(400)	(8,125)
Increase (decrease) unearned income	(268)	6,355
Increase (decrease) other payables and provisions	(21,351)	(42,828)
(Increase) decrease inventories	740	2,854
(Increase) decrease capitalised borrowing costs	(387)	596
Increase (decrease) deferred and other income tax liabilities	(10,930)	(17,584)
(Increase) decrease prepayments and other assets	17,780	28,088
Net operating cash flows	205,986	187,581

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(6) CASH AND CASH EQUIVALENTS (continued)		
(c) Financing facilities available		
At reporting date, the following financing facilities were available:		
Total facilities	1,062,268	1,096,346
Facilities used at reporting date	933,368	981,446
Facilities unused at reporting date	128,900	114,900
Refer also to Note 33 for an analysis of the Group's liquidity profile.		
(7) TRADE AND OTHER RECEIVABLES		
<i>Current:</i>		
Trade and other receivables	179,727	228,149
Provision for impairment loss (a)	(16,161)	(16,648)
	163,566	211,501
Due from associated entities	-	10,077
	163,566	221,578
<i>Non-current:</i>		
Trade and other receivables	9,986	11,107
Unsecured advances - other	4,564	5,244
	14,550	16,351
Due from associated entities	102,832	59,665
Provision for impairment loss (a)	(40,962)	(15,698)
	61,870	43,967
	76,420	60,318
(a) Provision for impairment loss		
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 33(c)(i)).		
Movements in the provision for impairment loss were as follows:		
Carrying amount at beginning	32,346	34,537
Net increase (reduction) for the year	24,777	(2,191)
Carrying amount at end	57,123	32,346
At 30 June, the ageing analysis of trade and other receivables is as follows:		
0 to 3 months	163,566	211,501
> 12 months	9,986	11,107
< 3 months - CI*	1,716	1,956
3 to 6 months - CI*	707	-
> 6 months - CI*	13,738	14,692
Total trade and other receivables before provisions	189,713	239,256

* Past due not impaired ("PDNI") (none disclosed)
 Considered Impaired ("CI")

Receivables past due but not considered impaired are Nil (2009: Nil).

(b) Fair value and credit risk

Trade and other receivables carrying values are considered to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 33.

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(8) INVENTORIES		
<i>Current:</i>		
Merchandise held for resale - at cost	21,419	22,825
Provision for stock loss	(1,819)	(1,343)
	19,600	21,482

Note: Cost of goods sold expense is mainly represented by amounts paid for inventories - refer Note 2(e).

(9) INTANGIBLE ASSETS AND GOODWILL

FOR THE YEAR ENDED 30 JUNE 2010

	CONSOLIDATED					
	Film Distribution Rights	Radio Licences ¹	Goodwill	Brand Names ²	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2009						
Cost (gross carrying amount)	34,213	453,194	371,024	40,461	25,042	923,934
Accumulated amortisation and impairment	(22,473)	-	(36,931)	(600)	(10,180)	(70,184)
Net carrying amount	11,740	453,194	334,093	39,861	14,862	853,750
Year ended 30 June 2010						
At 1 July 2009, net of accumulated amortisation and impairment	11,740	453,194	334,093	39,861	14,862	853,750
Additions	-	4,707	-	-	-	4,707
Net foreign currency movements arising from investments in foreign operations	-	-	(397)	-	(612)	(1,009)
Disposals	-	-	(885)	-	-	(885)
Adjustment relating to liquidation / dissolution of subsidiaries	-	-	(1,929)	-	-	(1,929)
Amortisation	(5,422)	-	-	-	(1,789)	(7,211)
Net carrying amount	6,318	457,901	330,882	39,861	12,461	847,423
At 30 June 2010						
Cost (gross carrying amount)	34,213	457,901	367,813	40,461	24,430	924,818
Accumulated amortisation and impairment	(27,895)	-	(36,931)	(600)	(11,969)	(77,395)
Net carrying amount	6,318	457,901	330,882	39,861	12,461	847,423

FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED					
	Film Distribution Rights	Radio Licences ¹	Goodwill	Brand Names ²	Other ³	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008						
Cost (gross carrying amount)	34,213	453,194	368,634	39,077	15,645	910,763
Accumulated amortisation and impairment	(12,365)	-	-	-	(8,358)	(20,723)
Net carrying amount	21,848	453,194	368,634	39,077	7,287	890,040
Year ended 30 June 2009						
At 1 July 2008, net of accumulated amortisation and impairment	21,848	453,194	368,634	39,077	7,287	890,040
Additions	-	-	100	1,384	9,397	10,881
Impairment	-	-	(36,931)	(600)	-	(37,531)
Additions resulting from business combinations	-	-	504	-	-	504
Net foreign currency movements arising from investments in foreign operations	-	-	1,786	-	-	1,786
Amortisation	(10,108)	-	-	-	(1,822)	(11,930)
Net carrying amount	11,740	453,194	334,093	39,861	14,862	853,750
At 30 June 2009						
Cost (gross carrying amount)	34,213	453,194	371,024	40,461	25,042	923,934
Accumulated amortisation and impairment	(22,473)	-	(36,931)	(600)	(10,180)	(70,184)
Net carrying amount	11,740	453,194	334,093	39,861	14,862	853,750

Notes:

¹ As at 30 June 2010, Austereo Group Limited reflect the carrying value of Radio Licences at cost of \$870.0 million (2009: \$865.2 million). This value is supported by an independent valuation which is commissioned annually and updated six monthly. The carrying value of Radio Licences by Austereo Group Limited is currently below the lower end of the range of estimates provided by the independent valuer. The VRL group has continued to record these Radio Licences at original cost of \$457.9 million (2009: \$453.2 million). Both the \$870.0 million and \$457.9 million amounts referred to above represent 100% of the Radio Licences. During 2010, Austereo Group Limited acquired digital radio licences at a cost of \$4.7 million.

² The majority of the brand names relate to the Village Roadshow Theme Parks group. During 2009, the Paradise Country brand name was fully impaired by the Village Roadshow Theme Parks group.

³ Included in the additions in 2009 are the management rights acquired through the acquisition of Harvest Family Entertainment of \$8.7 million.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(9) INTANGIBLE ASSETS AND GOODWILL (continued)**(a) Impairment testing of goodwill, radio licences and brand names**

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

Goodwill assessed on the basis of fair value less cost to sell:

The recoverable amount of part of the Group's goodwill has been determined based on fair value less costs to sell ("FVLCS") calculations, using cash flow projections covering a five-year period. The key assumptions on which the Group has based cash flow projections when determining FVLCS were that projected future performance was based on past performance and expectations for the future, and that no significant events were identified which would cause the Group to conclude that past performance was not an appropriate indicator of future performance. The pre-tax discount rate applied to the cash flow projections was in the range of 14.7% to 15.5% (2009: 14.1% to 15.5%). Cash flows used are from the board approved 5 year plan. Cash flows beyond five years have been extrapolated using a terminal growth rate of 3% (2009: 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 for impairment testing include material groupings and 2010 balances as follows:

- Village Theme Parks group - \$137.1 million (2009: \$137.1 million) (re: Australian Theme Park interests)
- Roadshow Distributors Pty. Ltd. group - \$57.1 million (2009: \$57.1 million) (re: Film Distribution interests)
- Village Cinemas Australia Pty. Ltd. - \$28.9 million (2009: \$29.8 million) (re: Australian Theatres Joint Venture cinema circuit)
- Sydney Attractions Group Pty. Ltd. group - \$90.0 million (2009: \$90.0 million) (re: Sydney Attractions Group)
- Village Roadshow Theme Parks USA Inc. - \$11.5 million (2009: \$11.9 million) (re: Wet'n'Wild Hawaii)

Impairment losses recognised:

An impairment loss for intangibles of \$37.5 million was recognised for continuing operations in the 2009 financial statements. The impairment related to Goodwill and Brand names. The impaired goodwill of \$36.9 million related to the purchase of the Sydney Attractions Group effective 1 February 2008 and forms part of the Attractions segment. The impairment loss has been disclosed in Note 2(e). The cash generating unit consists of the consolidated assets of Sydney Attractions Group, and the recoverable amount was based on fair value less cost to sell.

The brand name impairment of \$0.6 million in 2009 related to Paradise Country which forms part of the Theme Parks segment, and the impairment loss has been included in Note 2(e) as impairment of other intangibles.

Radio Licences:

Radio licences are classified as indefinite life intangible assets and are therefore subject to annual impairment testing. For the purposes of impairment testing the licences have been allocated to individual cash generating units, the most significant being Australian metropolitan radio.

The recoverable amount of the radio licences has been determined using an independent valuation which is commissioned annually and updated six monthly. The independent valuation employs as its primary valuation methodology, a value in use calculation, being a discounted cash flow ("DCF") analysis of Austereo's future projected cash flows for six years adjusted for a termination value based on current market estimates. Six years has been used as the projection period to ensure consistency with the DCF valuation approach adopted since the listing of Austereo Group Limited in 2001. Key assumptions underpinning the DCF analysis relate to:

- growth in the radio market;
- the revenue shares achieved by each CGU in their relevant market; and
- cost inflation.

The growth in the radio market is determined by reference to the long term historical growth rate and nominal GDP estimates published by leading long term economic forecasters. The growth rate used in the DCF beyond the most recent budgets / forecasts averages 5%. Cost inflation is determined by reference to CPI estimates published by leading long term economic forecasters and the Reserve Bank of Australia's CPI target band. Revenue share forecasts for each CGU are determined via reference to actual results achieved and trends identified in relevant statistics made available to the radio industry. The discount rates applied to cash flow projections range from 10.0% to 12.3% (2009: 10.1% to 12.2%). Various secondary valuation techniques were also applied to assess the fair market value of the licences, as a cross reference analysis to support assumptions in the primary DCF valuation.

Brand Names:

Brand names owned by the Village 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 brand names have been allocated to individual CGU's within the Australian Theme Parks (2010: \$38.5 million, 2009: \$38.5 million). Cash flows used are from the board approved 5 year plan. Cash flows beyond 5 years have been extrapolated using a terminal growth rate of 3% (2009: 3%). The discount rates applied to cash flow projections ranged from 14.7% to 16.1% (2009: 14.3% to 15.0%).

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 materially exceed recoverable amounts.

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(10) OTHER ASSETS AND FILM DISTRIBUTION ROYALTIES		
(a) Other Assets		
<i>Current:</i>		
Film projects, production advances and other work in progress	977	1,757
Prepayments	6,459	7,846
Other assets	421	220
	7,857	9,823
<i>Non-current:</i>		
Security deposits	1,627	5,402
Other assets	2,780	1,990
	4,407	7,392
(b) Film Distribution Royalties		
Opening balance	114,531	132,800
Disposal - discontinued operations	(18,792)	-
Additions	37,654	35,271
Foreign currency movements	243	3,033
Movements affecting the statement of comprehensive income	(54,043)	(56,573)
	79,593	114,531
Current	28,310	56,094
Non-current	51,283	58,437
	79,593	114,531
(11) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
<i>Non-current:</i>		
Investments in associates - unlisted shares	25,450	22,821
Investments - jointly controlled entities/partnerships ¹	2,767	845
	28,217	23,666

¹ There was an impairment loss relating to investments accounted for using the equity method in the year ended 30 June 2010 of \$2.2 million (2009: \$4.6 million), relating to the investment in Gold Class Cinemas in the USA (refer Note 2(g)). These impairment losses have reduced the investment carrying value to nil as at 30 June 2010 and 30 June 2009.

Refer to Note 23(c) for other expenditure commitments relating to these investments.

(a) Investments in associates

	2010	CONSOLIDATED 2009
	\$'000	\$'000
<i>(i) Share of associates' balance sheet:</i>		
Current assets	19,751	16,910
Non-current assets	31,756	32,512
	51,507	49,422
Current liabilities	(16,203)	(23,307)
Non-current liabilities	(12,865)	(5,175)
	(29,068)	(28,482)
Net assets	22,439	20,940
<i>(ii) Share of associates' income and profits (losses):</i>		
Income	58,730	50,734
Profit (loss) before income tax	9,479	7,017
Income tax (expense)	(1,670)	(2,081)
Share of associates' profit (loss) recognised in the statement of comprehensive income	7,809	4,936
Cumulative unrecognised share of associate's profit (loss) after income tax due to discontinuation of equity method	(207,832)	(151,740)

Contingent liabilities of associates

Share of contingent liabilities incurred jointly with other investors - refer Note 22.

(b) Interests in jointly controlled entities/partnerships

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

Current assets	1,652	609
Non-current assets	2,209	2,511
	3,861	3,120
Current liabilities	(1,698)	(1,887)
Non-current liabilities	(293)	(388)
	(1,991)	(2,275)
Net assets	1,870	845
<i>(ii) Share of jointly controlled entities/partnerships' income, expenses and profits (losses):</i>		
Income	19,880	12,505
Expenses	30,240	23,799
Profit (loss) before income tax ¹	(10,360)	(11,294)
Income tax (expense)	(526)	(230)
Profit (loss) after income tax recognised in the statement of comprehensive income	(10,886)	(11,524)

¹ Includes impairment losses relating to jointly controlled entities/partnerships in the year ended 30 June 2010 of \$2.2 million (2009: \$4.6 million) relating to the investment in Gold Class Cinemas in the USA (refer Note 2(g)).

Contingent liabilities of jointly controlled entities/partnerships

Share of contingent liabilities incurred jointly with other investors - refer Note 22.

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
(12) AVAILABLE-FOR-SALE INVESTMENTS		
Non-current:		
Investments at fair value:		
Shares in Unlisted entities	841	857
Shares in Listed entities	2	2
	843	859

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(a) Listed shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

(b) Unlisted shares

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in other comprehensive income are reasonable and the most appropriate at the balance sheet date. Management also believes that changing any of assumptions to a reasonably possible alternative would not result in a significantly different value.

In 2009, Austereo Group Limited impaired its investment in UKRD Group Limited by \$3.8 million.

(13) SUBSIDIARIES:

NAME	COUNTRY OF INCORPORATION ¹	% OWNED	
		2010	2009
Allehondro Pty. Limited	Australia	100.00%	100.00%
Animus No. 2 Pty. Limited	Australia	100.00%	100.00%
Ants at Work AE ³	Greece	-	100.00%
Aqdev Pty Limited	Australia	100.00%	100.00%
Aqua Del Rey International Pty. Limited	Australia	100.00%	100.00%
Asia Pacific Business Limited	Hong Kong	100.00%	100.00%
Auckland Aquarium Limited	New Zealand	100.00%	100.00%
Austereo Capital FM Pty. Limited	Australia	52.52%	52.52%
Austereo Direct Marketing Pty. Limited ⁴	Australia	-	52.52%
Austereo Entertainment Europe Limited ⁴	United Kingdom	-	52.52%
Austereo Entertainment Pty. Limited	Australia	52.52%	52.52%
Austereo ESP Finance Pty. Limited	Australia	52.52%	52.52%
Austereo Group Limited (Listed)	Australia	52.52%	52.52%
Austereo International Pty. Limited	Australia	52.52%	52.52%
Austereo Online Pty. Limited	Australia	52.52%	52.52%
Austereo Mall Advertising Pty. Limited ⁴	Australia	-	52.52%
Austereo Pty. Limited	Australia	52.52%	52.52%
Baltimore House Pty. Limited	Australia	100.00%	100.00%
Broadcast FM Pty. Limited ⁴	Australia	-	52.52%
Cinemax SA ³	Greece	-	100.00%
Colorado Bay Pty. Limited	Australia	100.00%	100.00%
Consolidated Broadcasting System (WA) Pty. Limited	Australia	52.52%	52.52%
Daydream Finance Pty. Limited	Australia	100.00%	100.00%
DEG Holdings Pty. Limited	Australia	100.00%	100.00%
DIIR Pty. Limited	Australia	100.00%	100.00%
Emperion Pty. Limited	Australia	100.00%	100.00%
Entertainment of The Future Pty. Limited	Australia	100.00%	100.00%
Feature Productions Pty. Limited	Australia	100.00%	100.00%
Film Services (Australia) Pty. Limited	Australia	100.00%	100.00%
FM 104 Pty. Limited	Australia	100.00%	100.00%
FM Media (ACT) Pty. Limited	Australia	100.00%	100.00%
FM Media Overseas Pty. Limited	Australia	100.00%	100.00%
FM Operations Pty. Limited	Australia	100.00%	100.00%
Fortress Films Pty. Limited	Australia	100.00%	100.00%
Fortress Films II Pty. Limited	Australia	100.00%	100.00%
GOG Productions Pty Limited ²	Australia	99.00%	99.00%
Harvest Family Entertainment Arizona LLC	United States	100.00%	100.00%
Harvest Family Entertainment - South Florida LLC	United States	100.00%	100.00%
Intencity Pty. Limited	Australia	100.00%	100.00%
International Theatre Equipment Leasing Pty. Limited ⁴	Australia	-	100.00%
Jaran Bay Pty. Limited	Australia	100.00%	100.00%
Jimbolla Pty. Limited	Australia	100.00%	100.00%
Medborne Proprietary Limited	Australia	100.00%	100.00%
Movie World Holdings Joint Venture	Australia	100.00%	100.00%
MX Promotions Pty. Limited	Australia	100.00%	100.00%
MX Services Pty. Limited	Australia	100.00%	100.00%
MyFun Pty. Limited	Australia	100.00%	100.00%
New Broadcasting Pty. Limited	Australia	100.00%	100.00%
Nu-Pay View Entertainment Pty. Limited	BVI	100.00%	100.00%

(13) SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION ¹	% OWNED	
		2010	2009
NW Productions Inc.	United States	100.00%	100.00%
Pacific Drive Productions Pty. Limited	Australia	100.00%	100.00%
Paradise Beach Productions Pty. Limited	Australia	100.00%	100.00%
Perth FM Radio Pty. Limited	Australia	52.52%	52.52%
Prospect Aquatic Investments Pty. Limited	Australia	100.00%	100.00%
Reel DVD Pty. Limited	Australia	100.00%	100.00%
Roadshow Distributors Pty. Limited	Australia	100.00%	100.00%
Roadshow Entertainment (NZ) Limited	New Zealand	100.00%	100.00%
Roadshow Films Pty. Limited	Australia	100.00%	100.00%
Roadshow Live Pty. Limited ⁵	Australia	100.00%	-
Roadshow Pay Movies Pty Limited	Australia	100.00%	100.00%
Roadshow Television Pty Limited	Australia	100.00%	100.00%
Roadshow Unit Trust	Australia	100.00%	100.00%
Sari Lodge Pty. Limited	Australia	100.00%	100.00%
Sea World Aviation Partnership	Australia	100.00%	100.00%
Sea World Equipment Company Pty. Limited	Australia	100.00%	100.00%
Sea World International Pty. Limited	Australia	100.00%	100.00%
Sea World Management Pty. Limited	Australia	100.00%	100.00%
Sea World Property Trust	Australia	100.00%	100.00%
Sea World Resort Hotel Pty. Limited	Australia	100.00%	100.00%
Sinclud Investments Pty. Limited	Australia	100.00%	100.00%
Sydney Attractions Group Pty. Limited	Australia	100.00%	100.00%
Sydney Tower Observatory Pty Limited	Australia	100.00%	100.00%
Sydney Wildlife World Pty Limited	Australia	100.00%	100.00%
TAJ Walker Pty. Limited	BVI	100.00%	100.00%
Tarzan Films Pty. Limited	Australia	100.00%	100.00%
The Sydney Aquarium Company Pty Limited	Australia	100.00%	100.00%
The Triple-M Broadcasting Company Pty. Limited	Australia	100.00%	100.00%
Today FM Brisbane Pty. Limited	Australia	52.52%	52.52%
Today FM Sydney Pty. Limited	Australia	52.52%	52.52%
Today Radio Network Pty. Limited	Australia	52.52%	52.52%
Triple M Adelaide Pty. Limited	Australia	52.52%	52.52%
Triple M Brisbane Pty. Limited	Australia	52.52%	52.52%
Triple M Melbourne Pty. Limited	Australia	52.52%	52.52%
Triple M Network Pty. Limited	Australia	52.52%	52.52%
Triple M Sydney Pty. Limited	Australia	52.52%	52.52%
VEESS Pty. Limited	Australia	100.00%	100.00%
Village Cinemas Australia Pty. Limited	Australia	100.00%	100.00%
Village Cinemas Czech Republic SRO ³	Czech Republic	-	100.00%
Village Cinemas International Pty. Limited	Australia	100.00%	100.00%
Village Leisure Company Pty. Limited	Australia	100.00%	100.00%
Village Online Investments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow (D & B) Limited ⁴	United Kingdom	-	100.00%
Village Roadshow (Fiji) Limited	Fiji	100.00%	100.00%
Village Roadshow (Hungary) Distribution KFT	Hungary	100.00%	100.00%
Village Roadshow (Singapore) Pte. Limited ⁴	Singapore	-	100.00%
Village Roadshow (Thailand) Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Attractions USA Inc.	United States	100.00%	100.00%
Village Roadshow Australian Films Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Car Park Management Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Cinemas UK Limited ⁴	United Kingdom	-	100.00%
Village Roadshow Coburg Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Developments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Distribution (M) Sdn Bhd	Malaysia	100.00%	100.00%
Village Roadshow Distribution Netherlands BV	Netherlands	100.00%	100.00%
Village Roadshow East Coast Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Exhibition Beteiligungs GmbH	Germany	100.00%	100.00%
Village Roadshow Exhibition GmbH & Co. KG Partnership	Germany	100.00%	100.00%
Village Roadshow Exhibition Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Exhibition UK Limited ⁴	United Kingdom	-	100.00%
Village Roadshow Film Administration Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Distributors SA ³	Greece	-	100.00%
Village Roadshow Film Finance Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Operator Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Film Services Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Finance & Investments Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Finance Pty. Limited	Australia	100.00%	100.00%
Village Roadshow FM Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Germany GmbH	Germany	100.00%	100.00%
Village Roadshow Grundstücksentwicklungs GmbH	Germany	100.00%	100.00%

(13) SUBSIDIARIES (continued)

NAME	COUNTRY OF INCORPORATION ¹	% OWNED	
		2010	2009
Village Roadshow Holdings Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Hungary ZRT (previously called Village Roadshow Hungary RT)	Hungary	100.00%	100.00%
Village Roadshow Intencity Pty. Limited	Australia	100.00%	100.00%
Village Roadshow International BV	Netherlands	100.00%	100.00%
Village Roadshow Investments Holdings USA Inc.	United States	100.00%	100.00%
Village Roadshow Investments UK Limited	United Kingdom	100.00%	100.00%
Village Roadshow IP Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Italy Holdings SRL	Italy	100.00%	100.00%
Village Roadshow Jam Factory Pty. Limited	Australia	100.00%	100.00%
Village Roadshow JLA Pty. Limited ²	Australia	99.00%	99.00%
Village Roadshow Leisure Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Licensing & Finance Limited	United Kingdom	100.00%	100.00%
Village Roadshow Luxembourg SA ⁴	Luxembourg	-	100.00%
Village Roadshow Motion Pictures Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Mumble 2 Productions Pty. Limited ²	Australia	99.00%	99.00%
Village Roadshow Operations Greece SA ³	Greece	-	100.00%
Village Roadshow Pictures (Australia) Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures (U.S.A.) Inc.	United States	100.00%	100.00%
Village Roadshow Pictures International Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures Pty. Limited ⁴	Australia	-	100.00%
Village Roadshow Pictures Television Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Pictures Worldwide Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Production Management Pty. Limited ⁴	Australia	-	100.00%
Village Roadshow Resorts Pty. Limited	Australia	100.00%	100.00%
Village Roadshow Retail Stores Pty. Limited	Australia	100.00%	100.00%
Village Roadshow SPV1 Pty Limited	Australia	100.00%	100.00%
Village Roadshow Sunshine Coast Pty. Limited ⁴	Australia	-	100.00%
Village Roadshow Theatres Europe Limited ⁴	United Kingdom	-	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 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 Sea World Aviation Pty. Limited	Australia	100.00%	100.00%
Village Sea World Investments Pty. Limited	Australia	100.00%	100.00%
Village Sea World Operations 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%
Village Theatres UK 3 Limited ⁴	United Kingdom	-	100.00%
Village Themepark Management Pty. Limited	Australia	100.00%	100.00%
VRB Pty. Limited	Australia	52.52%	52.52%
VR Corporate Services Pty. Limited	Australia	100.00%	100.00%
VR GOG Productions Inc. ²	United States	99.00%	99.00%
VR International Pictures Pty. Limited	Australia	100.00%	100.00%
VRFP Pty. Limited	Australia	100.00%	100.00%
VR JLA Productions Inc. ²	United States	99.00%	99.00%
VR Mumble 2 Productions Inc. ²	United States	99.00%	99.00%
VRPPL Pty. Limited	Australia	100.00%	100.00%
VRPROSERV Pty. Limited (previously called Village Roadshow Production Services Pty. Limited)	Australia	99.00%	99.00%
VRS Holdings Pty. Limited	Australia	100.00%	100.00%
Warner Village Theme Parks Partnership	Australia	100.00%	100.00%
WB Properties Australia Pty. Limited	Australia	100.00%	100.00%
Worldwide Films Pty. Limited	Australia	100.00%	100.00%
WSW Aviation Pty. Limited	Australia	100.00%	100.00%
WSWI Pty. Limited	Australia	100.00%	100.00%
WSW Operations Pty. Limited	Australia	100.00%	100.00%
WSW Units Pty. Limited	Australia	100.00%	100.00%
WV Entertainment Pty. Limited	Australia	100.00%	100.00%
WW Australia Pty. Limited	Australia	100.00%	100.00%

¹ Foreign subsidiaries carry out their business activities in the country of incorporation. Material overseas entities are audited by Ernst & Young International affiliates.

² Represent Special Purpose Entities which are not consolidated.

³ Sold to an external entity during the year.

⁴ Placed into liquidation or dissolution during the year.

⁵ Purchased or incorporated during the year.

	2010 \$'000	CONSOLIDATED 2009 \$'000
(14) PROPERTY, PLANT & EQUIPMENT		
<i>Land:</i>		
At cost	29,224	29,224
<i>Buildings & improvements:</i>		
At cost (completed)	66,986	65,204
Less depreciation and impairment	(13,381)	(10,824)
	53,605	54,380
<i>Capital work in progress</i>	17,750	13,301
<i>Leasehold improvements:</i>		
At cost	273,125	328,989
Less amortisation and impairment	(82,715)	(89,814)
	190,410	239,175
<i>Plant, equipment & vehicles (owned):</i>		
At cost	583,528	602,025
Less depreciation and impairment	(237,154)	(219,194)
	346,374	382,831
<i>Plant, equipment & vehicles (leased):</i>		
At cost	29,258	37,005
Less amortisation and impairment	(4,045)	(10,099)
	25,213	26,906
	662,576	745,817
(a) Reconciliations		
<i>Land:</i>		
Carrying amount at beginning	29,224	29,224
Carrying amount at end	29,224	29,224
<i>Buildings & improvements:</i>		
Carrying amount at beginning	54,380	56,878
Additions	1,676	2,950
Impairment (Note 2(e))	-	(2,774)
Net foreign currency movements arising from investments in foreign operations	-	(1,059)
Disposals/Transfers	-	10
Depreciation expense	(2,513)	(2,475)
Other	62	850
Carrying amount at end	53,605	54,380
<i>Capital work in progress:</i>		
Carrying amount at beginning	13,301	18,524
Net additions/disposals/transfers	4,449	(5,223)
Carrying amount at end	17,750	13,301
<i>Leasehold improvements:</i>		
Carrying amount at beginning	239,175	229,668
Additions	11,026	22,055
Impairment (Note 2(e)) ¹	(16,671)	-
Acquisitions from business combinations	-	5,220
Net foreign currency movements arising from investments in foreign operations	(52)	2,603
Disposals/Transfers	(31,123)	(5)
Amortisation expense	(11,945)	(16,464)
Other	-	(3,902)
Carrying amount at end	190,410	239,175
<i>Plant, equipment & vehicles (owned):</i>		
Carrying amount at beginning	382,831	357,016
Additions	38,123	81,778
Impairment (Note 2(e)) ¹	(3,329)	(1,626)
Acquisitions from business combinations	-	4,938
Net foreign currency movements arising from investments in foreign operations	(1,570)	4,298
Disposals/Transfers	(25,589)	(19,791)
Depreciation expense	(44,092)	(43,784)
Other	-	2
Carrying amount at end	346,374	382,831
<i>Plant, equipment & vehicles (leased):</i>		
Carrying amount at beginning	26,906	1,089
Additions	1,606	378
Net foreign currency movements arising from investments in foreign operations	(1,296)	-
Disposals/Transfers	(330)	27,638
Amortisation expense	(1,673)	(611)
Other	-	(1,588)
Carrying amount at end	25,213	26,906

¹ Impairment losses recognised:

Within the Sydney Wildlife World cash generating unit, recoverable amount was estimated for leasehold improvements and plant, equipment & vehicles (owned). The recoverable amount estimation was based on fair value less cost to sell which was calculated using the approved five year management plan with cash flows beyond five years extrapolated using a terminal growth rate of 3%. As a result, an impairment loss of \$20.0 million in total was recognised in the year ended 30 June 2010 as disclosed in note 2(e).

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(15) TRADE AND OTHER PAYABLES		
<i>Current:</i>		
Trade and sundry payables	225,654	264,451
Owing to -		
Other	271	51
Financial Guarantees	433	-
	226,358	264,502
<i>Non-current:</i>		
Trade and sundry payables	25,938	24,515
Owing to -		
Associated entities	4,025	4,192
Other	1,524	888
Financial Guarantees	501	502
	31,988	30,097

For terms and conditions refer to Note 33(c)(ii).

(i) Fair value

Trade payables carrying value is considered to approximate fair value.

(ii) Financial Guarantees

As listed in Note 32, VRL has provided financial guarantees to a number of its subsidiaries and associates, 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).

(iii) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 33.

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(16) INTEREST BEARING LOANS AND BORROWINGS		
<i>Current:</i>		
Secured borrowings	65,256	269,151
Unsecured borrowings	1,000	1,000
Finance lease liabilities (refer Note 23(a))	195	100
	66,451	270,251
<i>Non-current:</i>		
Secured borrowings	649,022	484,171
Unsecured borrowings	212,935	224,783
Finance lease liabilities (refer Note 23(a))	405	326
	862,362	709,280

Terms and conditions relating to the above financial instruments:

The Company has a long-term finance facility, which had a facility limit of \$195 million as at 30 June 2010 (30 June 2009: \$270 million). These borrowings are secured by a specific share mortgage against the parent entity's shareholding in Austereo Group Limited, equitable share mortgages over certain subsidiary and associate holding companies, and by guarantees from various wholly-owned subsidiaries.

Other secured borrowings are separately secured by a fixed and floating charge over the assets of the Village Theme Parks group, the Sydney Attractions Group Pty. Ltd. group, the Roadshow Distributors Pty. Ltd. group, the Village Cinemas Australia Pty. Ltd. group, and Harvest Family Entertainment Arizona LLC. In addition, the assets of Village Roadshow Theme Parks USA Inc. are not legally owned by that entity, but are mainly shown as assets under lease (with the liability shown as secured borrowings). The security for these borrowings is limited to the assets and undertakings of each particular operation or groups of operations. The total carrying value of the financial assets that are secured is \$1,623.3 million (2009: \$1,501.6 million). The lease liabilities are secured by a charge over the leased assets.

Refer Note 33(c)(ii) for additional information concerning finance lease terms and conditions.

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(17) PROVISIONS		
<i>Current:</i>		
Employee benefits	26,275	27,284
Dividend	-	8,421
Other	1,358	1,622
	27,633	37,327
<i>Non-current:</i>		
Employee benefits	5,752	7,222
Make good provision	454	1,177
Leasehold liability	13,465	13,175
Other	1,714	2,520
	21,385	24,094
Employee benefit liabilities		
Provision for employee benefits -		
Current	26,275	27,284
Non-current	5,752	7,222
Aggregate employee benefit liability	32,027	34,506

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(17) PROVISIONS (continued)		
(a) Reconciliations		
<i>Make good provision:</i>		
Carrying amount at the beginning of the financial year	1,177	2,513
Disposals - discontinued operations	(871)	-
Amounts added (utilised) during the year	285	(1,348)
Net foreign currency movements arising from investments in foreign operations	(146)	-
Discount rate adjustment	9	12
Carrying amount at the end of the financial year	454	1,177
<i>Leasehold Liability:</i>		
Carrying amount at the beginning of the financial year	13,175	12,883
Increase in provision	290	292
Carrying amount at the end of the financial year	13,465	13,175
<i>Other provisions:</i>		
Carrying amount at the beginning of the financial year	4,142	3,861
Increase in provision	470	1,417
Amounts utilised during the year	(359)	(79)
Net foreign currency movements arising from investments in foreign operations	2	12
Reduction of provision	(1,183)	(1,069)
Carrying amount at the end of the financial year	3,072	4,142

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.

Because of the long term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred. The provision has been calculated using a discount rate based on estimated CPI.

Leasehold liability

The leasehold liability recognises the future economic impact on the Group resulting from future uplifts in rental expenses resulting from contracted increases in rent payments over the life of the lease agreement.

Other provisions

Other provisions include amounts relating to restructuring, legal issues, and various other matters.

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(18) OTHER LIABILITIES		
<i>Current:</i>		
Unearned revenue	29,191	29,458
Other liabilities	909	329
	30,100	29,787
<i>Non-current:</i>		
Other liabilities	2,010	2,282
	2,010	2,282
(19) CONTRIBUTED EQUITY		
Issued & fully paid up capital:		
Ordinary shares	(10,799)	13,749
A Class preference shares	313,302	398,746
Employee share loans deducted from equity ¹	(22,187)	(23,756)
	280,316	388,739

¹ Secured advances - executive loans (refer also Note 26).

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 and Loan Facility, the first 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 Austereo Group Limited Executive Share Plan and Loan Facility, the first six cents of every dividend per share is used to repay the interest accrued and 50% of any remaining dividend per share is used to repay the capital amount of the loan.

During the 2010 and 2009 years, movements in fully paid shares on issue were as follows:

	CONSIDERATION		NO. OF SHARES	
	2010	2009	2010	2009
	\$'000	\$'000	Thousands	Thousands
(a) Ordinary shares -				
Beginning of the financial year	13,749	13,749	126,909	126,909
Share buybacks -				
November 2009 at \$1.85 to \$1.87 (on-market)	(24,548)	-	(12,691)	-
End of the financial year	(10,799)	13,749	114,218	126,909

	CONSIDERATION		NO. OF SHARES	
	2010	2009	2010	2009
	\$'000	\$'000	Thousands	Thousands
(19) CONTRIBUTED EQUITY (continued)				
(b) A Class preference shares -				
Beginning of the financial year	398,746	399,510	97,655	98,025
Share buybacks -				
November 2009 at \$1.77 to \$1.87 (on market)	(84,264)	-	(45,000)	-
March 2010 at \$2.37 to \$3.22	(1,180)	-	(420)	-
November 2008 at \$3.14	-	(534)	-	(170)
January 2009 at \$0.80 (on-market)	-	(136)	-	(170)
March 2009 at \$3.14	-	(94)	-	(30)
End of the financial year	313,302	398,746	52,235	97,655

Share buybacks:

During the year, the Company bought back on market and cancelled 12,690,800 ordinary shares at prices ranging from \$1.85 to \$1.87 per share and 45,000,000 (2009: 170,000) A Class preference shares at prices ranging from \$1.77 to \$1.87 (2009: \$0.80) per share.

During the year the Company also bought back 420,000 (2009: 200,000) A class preference shares between \$2.37 to \$3.22 (2009: \$3.14) per share in relation to Employee Share Plan shares.

Issued Options:

In accordance with a special resolution of the Company's shareholders on 17 July 2008, six million options over ordinary shares were allotted to Mr. Graham W. Burke, the Managing Director. Two million options are exercisable at an exercise price of \$3.00 not earlier than 1 March 2011; two million options are exercisable at an exercise price of \$3.00 not earlier than 1 March 2012; and two million options are exercisable at an exercise price of \$3.00 not earlier than 1 March 2013. All the options are subject to performance hurdles as outlined in Note 26 and are exercisable no later than 1 March 2015 or 12 months following cessation of Mr. Burke's employment with the Company, whichever is the earlier. The names of all persons who currently hold options are entered in the register kept by the Company, which may be inspected free of charge.

As at 30 June 2010, the details of outstanding options over ordinary shares were as follows:

Number of options	Expiry date	Exercise price per option
2,000,000	01/03/2015	\$3.00
2,000,000	01/03/2015	\$3.00
2,000,000	01/03/2015	\$3.00

The Company has also issued various "in substance options" - refer Note 26.

Terms and conditions of contributed equity

Preference shares

Preference shares have the right to receive dividends declared to a minimum of 10.175 cents per share or 3 cents above the ordinary dividend in each financial year, whichever is higher. Preference share dividends have priority over ordinary dividends. In the event of winding up the Company, preference shares rank in priority to all other classes of shares and in addition, holders of such shares have the right to participate in the distribution of any surplus assets of the Company equally with each fully paid ordinary share in the capital of the Company.

Preference 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

A preference share shall confer no right to vote at any general meeting except in one or more of the following circumstances:

- (a) on a proposal that affects rights attaching to the preference share;
- (b) during a period which any dividend payable on the preference share is more than 6 months in arrears;
- (c) on a proposal to reduce the share capital of the Company;
- (d) on a proposal to wind up the Company; and
- (e) on a proposal for the sale of the Company's undertaking.

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, holders of such shares have the right to participate in the distribution of any surplus assets of the Company equally with each fully paid preference share in the capital 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 the entity 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 entity.

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 indicative levels of the Group's gearing ratio is between 50% to 70%. The gearing ratios based on continuing operations at 30 June 2010 and 2009 were as follows:

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
Total borrowings	928,813	979,531
Less cash and cash equivalents	(101,720)	(79,626)
Net debt	827,093	899,905
Total equity	686,261	709,081
Total capital	1,513,354	1,608,986
Gearing ratio	55%	56%

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

	2010 \$'000	CONSOLIDATED 2009 \$'000
(20) RESERVES AND RETAINED EARNINGS		
<i>Foreign currency translation reserve:</i> The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and on equity accounting of associates.		
Balance at beginning of year	7,277	327
Transfer to retained profits	(1,132)	6,314
Amount relating to translation of accounts & net investments	(5,528)	636
Balance at end of year	617	7,277
<i>Cash flow hedge reserve:</i> This reserve records the portion of the gain or loss on hedging instruments that are classified as cash flow hedges, and which are determined to be effective hedges.		
Balance at beginning of year	(3,065)	47
Net movement on effective hedging instruments during the year (net of tax)	2,712	(4,202)
Other movements	(2)	1,090
Balance at end of year	(355)	(3,065)
<i>Asset revaluation reserve:</i> 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
<i>Employee equity benefits reserve:</i> This reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration (refer Note 26).		
Balance at beginning of year	5,906	3,585
Other movements	1,033	2,321
Balance at end of year	6,939	5,906
<i>General reserve:</i> The general reserve is used for amounts that do not relate to other specified reserves.		
Balance at beginning of year	754	682
Disposal - discontinued operations	(410)	-
Other movements	-	72
Balance at end of year	344	754
<i>Capital profits reserve:</i> The capital profits reserve is used to accumulate realised capital profits arising from investments accounted for using the equity method.		
Balance at beginning of year	8	8
Balance at end of year	8	8
<i>Controlled entity share sale & buy-back reserve:</i> The controlled entity share sale & buy-back reserve is used to take up dilution gains and losses on shares in subsidiaries sold to non-controlling interests, as well as the differences in shares bought back by subsidiaries in excess of the calculated non-controlling interest share of those buybacks.		
Balance at beginning of year	221,080	223,139
Transfer to retained profits	-	(829)
Movements from sales and buy-backs during the year	-	(140)
Other movements	(452)	(1,090)
Balance at end of year	220,628	221,080
Total reserves	319,655	323,434
<i>Accumulated losses:</i>		
Balance at the beginning of year	(123,189)	(98,767)
Net profit attributable to members of VRL	94,835	12,649
Net transfers from reserves	1,132	(5,485)
Total available for appropriation	(27,222)	(91,603)
Dividends provided or paid	(14,952)	(31,586)
Balance at end of year	(42,174)	(123,189)
(21) NON-CONTROLLING INTEREST		
Non-controlling interest in subsidiaries:		
Contributed equity	68,391	68,379
Reserves	(442)	(1,325)
Retained earnings	60,515	53,043
	128,464	120,097

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(22) CONTINGENCIES		
(a) Contingent liabilities¹		
<i>Best estimate of amounts relating to:</i>		
(i) Termination benefits under personal services agreements for 88 Group executives and consultants (2009: 102 Group executives and consultants)	33,206	35,779
(ii) Bank guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	2,078	1,786
(b) Guarantees for associated entities	687	687
(iii) Joint and several obligations for operating lease commitments of joint venture partners ²	67,485	71,097
	103,456	109,349

¹ refer Note 15 for disclosure of amounts relating to Financial Guarantee Contracts.

² refer Note 22(b)(i) for corresponding amount reflecting the related contingent assets.

(iv) Claims - General:

A number of claims have been lodged against the Group in relation to various matters, totalling approximately \$0.5 million (2009: \$0.5 million). Liability is not admitted and the claims are being defended. The Directors believe that the potential losses, if any, arising from these claims are not able to be reliably measured at reporting date, and are not likely to be material.

(v) Other contingent liabilities - Film Production and Music:

As advised to the Australian Securities Exchange by VRL on 28 May 2010, Village Roadshow Entertainment Group ("VREG"), the parent of Village Roadshow Pictures ("VRP"), successfully concluded a new, three year, US\$1 billion film financing facility, which replaced and extended VRP's existing film financing arrangements.

The new financing has resulted in VRL being released from its US\$7.5 million guarantee to JP Morgan Chase, and also being released from a non-financial guarantee previously provided to VRP's banking syndicate.

Under the financing, the VRL group provided the following additional financial support to VREG:

- a new loan of US\$17.5 million, on favourable commercial terms; and
- a guarantee, together with partial payment support, in relation to US\$20 million of new financing obtained by VREG.

As detailed in Note 28, the new loans since May 2010 (and accrued interest) were repaid in August 2010, and the new guarantee was cancelled at that time.

VRL's existing guarantee to Warner Bros. remains in place, as does the VRL group loan of US\$45 million, made in May 2009. There were no amounts owing to Warner Bros. which were covered by this guarantee as at 30 June 2010 (\$15.8 million owing to Warner Bros. which was covered by this guarantee as at 30 June 2009). VRL does not believe that any future payment will be required under the guarantee to Warner Bros.

(vi) Other contingent liabilities - Income Tax:

The Group anticipates that ATO audits may occur in future, and the Group is also currently subject to routine tax audits in certain overseas jurisdictions. The ultimate outcome of the tax audits cannot be determined with an acceptable degree of reliability at this time. Nevertheless, the Group believes that it is making adequate provision for its taxation liabilities in its Financial Statements (including amounts shown as deferred and other income tax liabilities in the Balance Sheet) and is taking reasonable steps to address potentially contentious issues. If adjustments result in taxation liabilities significantly in excess of the Group's provisions, there could be a significant impact on the Group.

(vii) Belfast Rent Dispute:

As disclosed in Note 22(a)(ix) in the 30 June 2009 accounts, litigation was in progress between Village Theatres 3 Limited ("VT3"), a wholly-owned subsidiary in the VRL group, VT3's landlord and its sub-tenant. The sub-tenant of the Belfast cinema claimed that the sub-lease should be rescinded, with the effect of cancelling the sub-lease and purchase of the cinema business. In February 2010, a judgement was delivered by the High Court in Northern Ireland that stated that the sub-lease could not be rescinded, but that the sub-tenant could apply for damages, and that VT3 could also apply for damages against the landlord under the head lease.

The sub-tenant appealed this decision, which was heard in May 2010. The majority of the appeal was dismissed, but one issue was referred back to the trial judge. A further hearing is scheduled for September 2010, to determine if any damages are payable by VT3 to the sub-tenant, and by VT3's landlord to VT3. VRL believes that it has made appropriate provisioning in its accounts for this matter, based on the information available to date.

(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:

	2010	CONSOLIDATED 2009
	\$'000	\$'000
(i) Right of recourse in relation to joint and several obligations for operating lease commitments of joint venture partners ¹	67,485	71,097

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

(23) COMMITMENTS

(a) Finance leases

The Group has finance leases and hire purchase contracts for various items of plant and equipment. These leases have no renewal options included in the contracts. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments	2010 Present value of lease payments	Minimum lease payments	2009 Present value of lease payments
	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED				
Payable within 1 year	210	195	117	100
Payable between 1 and 5 years	450	405	383	326
	660	600	500	426
Less future finance charges	(60)	-	(74)	-
Total finance lease liabilities	600	600	426	426

(b) Operating leases

The Group has entered into commercial leases on cinema and office sites. The lease commitments schedule below includes cinema leases with terms of up to 18 years, however it does not include terms of renewal. In general, cinema leases do not include purchase options although on rare occasions there may be a purchase option. Renewals are at the option of the specific entity that holds that lease. In addition, the leases include the Crown leases entered into by Sea World Property Trust which have a remaining term of 47 years and the lease entered into by The Sydney Aquarium Company Pty. Ltd. which has a remaining term at present of 27 years.

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

	2010 \$'000	CONSOLIDATED 2009 \$'000
(i) Operating leases - Minimum lease payments:		
Payable within 1 year	60,726	86,389
Payable between 1 and 5 years	189,966	264,637
Payable after 5 years	289,436	359,469
	540,128	710,495
(ii) Operating leases - Percentage based lease payments: ¹		
Payable within 1 year	6,940	6,285
Payable between 1 and 5 years	24,507	22,566
Payable after 5 years	69,396	68,922
	100,843	97,773
Total operating lease commitments	640,971	808,268

¹ Accounting standard AASB 117: Leases applies to the estimated contingent rental commitments of the Group. This standard requires the reporting of operating lease rental expense on a straight-line basis over the life of the lease, inclusive of contingent rentals. 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.

	2010 \$'000	CONSOLIDATED 2009 \$'000
(c) Other expenditure commitments		
Estimated capital and other expenditure contracted for at balance date but not provided for:		
Payable within one year:		
- associates	372	728
- other	13,210	25,156
	13,582	25,884
Payable between 1 and 5 years:		
- associates	296	259
- other	2,863	3,329
	3,159	3,588
Payable later than 5 years:		
- other	6,468	7,056
Total other expenditure commitments	23,209	36,528

(24) SUPERANNUATION COMMITMENTS

There are established superannuation and retirement plans for the benefit of employees of the Company and its subsidiaries and associated entities. The benefits provided are accumulation benefits. Contributions to the plans are based on varying percentages of employees' gross remuneration and are made either by the employer or by the employee and the employer. Contributions made to the plans will not exceed the permitted levels prescribed by income tax legislation from time to time. There are legally enforceable obligations for contributions to be made to the plans in respect of some employees. As the plans are accumulation type funds, no actuarial assessment is made and the level of funds is sufficient to meet applicable employee benefits which may accrue in the event of termination of the plans or on the voluntary or compulsory termination of employment of any employee.

(25) KEY MANAGEMENT PERSONNEL DISCLOSURES

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

(a) Compensation of Key Management Personnel by Category

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

	Consolidated		Village Roadshow Limited	
	2010	2009	2010	2009
	\$	\$	\$	\$
Short-Term	17,064,809	19,658,349	17,064,809	19,658,349
Post-Employment	417,661	888,759	417,661	888,759
Other Long-Term	284,928	275,707	284,928	275,707
Termination Benefits	-	-	-	-
Sub-totals	17,767,398	20,822,815	17,767,398	20,822,815
Share-based Payment	584,989	884,676	584,989	884,676
Totals	18,352,387	21,707,491	18,352,387	21,707,491

(b) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Village Roadshow Limited (number)

2010

Name	Balance at the start of the year		Granted as remuneration		On exercise of options		Net change other		Balance at the end of the year	
	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
Directors										
Robert G. Kirby	77,859,352	-	-	-	-	-	-	-	77,859,352	-
John R. Kirby	77,859,352	-	-	-	-	-	-	-	77,859,352	-
Graham W. Burke	77,859,352	-	-	-	-	-	-	-	77,859,352	-
Peter M. Harvie	-	-	-	-	-	-	-	-	-	-
Peter D. Jonson	20,000	37,000	-	-	-	-	-	-	20,000	37,000
D. Barry Reardon	10,000	8,552	-	-	-	-	-	-	10,000	8,552
David J. Evans	80,000	-	-	-	-	-	-	-	80,000	-
Robert Le Tet	-	-	-	-	-	-	-	-	-	-
Executives										
Philip S. Leggo	-	-	-	-	-	-	-	-	-	-
Julie E. Raffe	-	-	-	-	-	-	-	-	-	-
Simon T. Phillipson	-	-	-	-	-	-	-	-	-	-
Timothy Carroll	-	-	-	-	-	-	-	-	-	-
Peter J. Davey ¹	-	-	-	-	-	-	-	-	-	-
David Kindlen	11,025	12,000	-	-	-	-	-	-	11,025	12,000

2009

Name	Balance at the start of the year		Granted as remuneration		On exercise of options		Net change other		Balance at the end of the year	
	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
Directors										
Robert G. Kirby	77,517,432	-	-	-	-	-	341,920	-	77,859,352	-
John R. Kirby	77,517,432	-	-	-	-	-	341,920	-	77,859,352	-
Graham W. Burke	77,517,432	-	-	-	-	-	341,920	-	77,859,352	-
Peter M. Harvie	-	-	-	-	-	-	-	-	-	-
Peter D. Jonson	10,000	29,000	-	-	-	-	10,000	8,000	20,000	37,000
D. Barry Reardon	10,000	8,552	-	-	-	-	-	-	10,000	8,552
David J. Evans	40,000	-	-	-	-	-	40,000	-	80,000	-
Robert Le Tet	-	-	-	-	-	-	-	-	-	-
Executives										
Peter E. Foo ²	-	9,000	-	-	-	-	-	-	-	9,000
Philip S. Leggo	-	-	-	-	-	-	-	-	-	-
Julie E. Raffe	-	-	-	-	-	-	-	-	-	-
Tony N. Pane ³	-	-	-	-	-	-	-	-	-	-
Simon T. Phillipson	-	-	-	-	-	-	-	-	-	-
Timothy Carroll	-	-	-	-	-	-	-	-	-	-
Peter J. Davey	-	-	-	-	-	-	-	-	-	-
David Kindlen	6,025	8,000	-	-	-	-	5,000	4,000	11,025	12,000

¹ On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.

² On 19 June 2009 Mr. Foo retired from the Executive Committee and ceased as KMP from that date.

³ On 31 December 2008, Mr. Pane retired from the Executive Committee and ceased as KMP from that date.

(25) KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

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

Shares held in Austereo Group Limited (number)

2010

Name	Balance at the start of the year	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the year
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
Robert G. Kirby	181,093,856	-	-	-	181,093,856
John R. Kirby	181,093,856	-	-	-	181,093,856
Graham W. Burke	181,093,856	-	-	-	181,093,856
Peter M. Harvie	5,001	-	-	-	5,001
Peter D. Jonson	-	-	-	-	-
D. Barry Reardon	-	-	-	-	-
David J. Evans	-	-	-	-	-
Robert Le Tet	-	-	-	-	-
Executives					
Philip S. Leggo	-	-	-	-	-
Julie E. Raffe	-	-	-	-	-
Simon T. Phillipson	-	-	-	-	-
Timothy Carroll	-	-	-	-	-
Peter J. Davey ¹	-	-	-	-	-
David Kindlen	21,621	-	-	-	21,621

2009

Name	Balance at the start of the year	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the year
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
Robert G. Kirby	181,093,856	-	-	-	181,093,856
John R. Kirby	181,093,856	-	-	-	181,093,856
Graham W. Burke	181,093,856	-	-	-	181,093,856
Peter M. Harvie	5,001	-	-	-	5,001
Peter D. Jonson	-	-	-	-	-
D. Barry Reardon	-	-	-	-	-
David J. Evans	-	-	-	-	-
Robert Le Tet	-	-	-	-	-
Executives					
Peter E. Foo ²	37,522	-	-	-	37,522
Philip S. Leggo	-	-	-	-	-
Julie E. Raffe	-	-	-	-	-
Tony N. Pane ³	-	-	-	-	-
Simon T. Phillipson	-	-	-	-	-
Timothy Carroll	-	-	-	-	-
Peter J. Davey	-	-	-	-	-
David Kindlen	16,216	-	-	5,405	21,621

¹ On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.² On 19 June 2009 Mr. Foo retired from the Executive Committee and ceased as KMP from that date.³ On 31 December 2008, Mr. Pane retired from the Executive Committee and ceased as KMP from that date.

All shares held under the Company's and Austereo Group Limited's various Share Plans and Option Plan for the above Key Management Personnel have been treated as 'in substance options' and have been excluded from the above tables. Details of such 'in substance options' are set out in Note 26.

All equity transactions with Key Management Personnel, other than those which have been treated as 'in substance options', have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(c) Loans to Key Management Personnel (Consolidated)

(i) Details of aggregates of loans to Key Management Personnel are as follows:

	Balance at the start of the year	Interest charged	Interest not charged	Write-off	Balance at the end of the year ¹	Number in group at the end of the year
	\$	\$	\$	\$	\$	No.
Year ended 30 June 2010						
Directors	2,009,616	120,989	-	-	2,010,932	1
Executives	-	-	-	-	-	-
Total KMP	2,009,616	120,989	-	-	2,010,932	1
Year ended 30 June 2009						
Directors	-	45,444	-	-	2,009,616	1
Executives	-	-	-	-	-	-
Total KMP	-	45,444	-	-	2,009,616	1

(25) KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

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

(ii) Details of Key Management Personnel with loans above \$100,000 in the reporting period are as follows:

30 June 2010

	Balance at the start of the year \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance at the end of the year ¹ \$	Highest owing in period \$
Directors						
Robert G. Kirby	2,009,616	120,989	-	-	2,010,932	2,011,296

30 June 2009

	Balance at the start of the year \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance at the end of the year ¹ \$	Highest owing in period \$
Directors						
Robert G. Kirby	-	45,444	-	-	2,009,616	2,016,274

¹ Note that, as only selected movements are required to be disclosed, the figures in these tables may not add across.

Terms and conditions of loans

The consolidated entity concluded an agreement with Mr. R.G. Kirby in December 2005 to provide him with a \$2 million fully secured revolving loan facility for a five year term expiring at the end of November 2010, repayable earlier in the event that Mr. Kirby's employment with the entity ceases. The interest rate applicable to the loan was the higher of the Fringe Benefits Tax rate set by the Australian Taxation Office (currently 6.65%) and the consolidated entity's cost of borrowing plus a margin of 0.50%. The loan was repaid in full with accrued interest on 29 March 2007, and was redrawn on identical terms and conditions on 26 February 2009. No compensation value has been attributed to this loan as it was on arms length terms and conditions.

All loans to purchase shares under the Company's and Austereo Group Limited's Executive Share Plans, the Senior Executive Share Plan, and the Company's Executive and Employee Option Plan for Key Management Personnel have been treated as 'in substance options' and have been excluded from the above tables. Details of such 'in substance option' loans are set out in Note 26.

No write-downs or allowances for doubtful receivables have been recognised in relation to the principal amounts of any loans made to Key Management Personnel.

(d) Other transactions and balances with Key Management Personnel

Peninsula Cinemas Pty. Ltd. (non-competing cinemas owned by an entity associated with Mr. R.G. Kirby) and Sunshine Cinemas Pty. Ltd. (a non-competing cinema complex which was owned by interests associated with Mr. J.R. Kirby up until 16 June 2010) exhibit films supplied by the Roadshow Distributors Pty. Ltd. group ("RD group") on arms length terms and conditions. The total amounts paid to the RD group in the current period by Sunshine Cinemas Pty. Ltd. (up until 16 June 2010) was \$293,369 (2009: \$268,340), and by Peninsula Cinemas Pty. Ltd. was \$327,101 (2009: \$316,978). The entities in the RD group are wholly-owned subsidiaries of the VRL group.

The economic entity purchased wine from Yabby Lake International Pty. Ltd., an entity in which family members of Mr. R.G. Kirby have an economic interest. The total purchases were \$364,868 for the year ended 30 June 2010 (2009: \$267,462). The wine purchased was for the Cinema Exhibition division's Gold Class and Europa cinemas, as well as for Corporate functions. These transactions were carried out under arm's length terms and conditions.

During the current and prior periods, the economic entity purchased swimwear from Garyson Nominees Pty. Ltd., an entity associated with Mr. G.W. Burke. The total purchases were \$56,710 for the year ended 30 June 2010 (2009: \$89,350). The swimwear was purchased on an arm's length basis as merchandise for resale by the Theme Parks division.

During the current and prior periods, the economic entity agreed to provide various services, on an arms-length basis, to a number of entities associated (either individually or collectively) with Messrs. R.G. Kirby, J.R. Kirby and G.W. Burke. The total amount charged for the various services in the year ended 30 June 2010 was \$33,888 (2009: \$1,800).

During the current period, the economic entity sold a number of art works to Wathroad Pty. Ltd, a company in which family members of Mr. R.G. Kirby have an economic interest. The total sales were \$16,722 for the year ended 30 June 2010 (2009: nil). The art works were sold on an arm's length basis, with the sale consideration being calculated based on recent external sales of art work by VRL, and having regard to previous external valuations received.

(26) 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 executive share plan shares and loans are all deemed to be 'in substance options' even where the equity instrument itself is not a share option.

The fair value of such 'in substance option' grants is amortised and disclosed as part of Director and senior manager compensation on a straight-line basis over the vesting period.

During the period the consolidated entity had five different LTI plans in which Group employees, including Key Management Personnel ("KMP"), participated to varying extents. These included:

1. The entity's 1996 Executive Share Plan and Loan Facility ("ESP");
2. The entity's 2005 Senior Executive Share Plan and Loan Facility ("SESP");
3. The consolidated entity's Austereo Group Limited 2001 Executive Share Plan and Loan Facility ("AESP");
4. The entity's 2008 Option Plan over ordinary shares to the entity's Managing Director ("2008 OP"); and
5. The entity's 1993 Executive and Employee Option Plan ("EOP").

With the exception of the 2008 OP, all remaining LTI plans have been closed to further allotments and are in effect legacy plans in wind-down mode.

All LTI plans including all legacy plans have been approved by shareholders at the time of their introduction. Grants were made from time to time as appropriate or whenever there have been movements in the composition of the management team, and all proposed grants to Directors of the Company are put to shareholders for approval. The quantum of the LTI grants were made on a sliding scale reflective of the seniority of the position of the relevant executive and their ability to contribute to the overall performance of the Company.

The Company's legacy LTI plans were not designed specifically to remunerate employees and KMP, unlike their fixed compensation or their STI bonus arrangements, and have no specific performance conditions for the vesting of such benefits other than tenure and share price performance. Instead the legacy LTI's were primarily intended to encourage a sense of ownership with those employees and executives to whom the LTI's are granted and to assist in aligning their long term interests with those of shareholders, and may be regarded as a partial retention mechanism by the Company.

The benefits, if any, under the legacy LTI's are linked to the performance of the Company via its share price. The Company considers that the five year period over which the ESP, 2008 OP, EOP and SESP shares (or four year period for the AESP as applicable) are 'earned' and the long term horizon of the loans from the consolidated entity for the ESP, SESP, AESP and EOP for the duration of the employees' employment are appropriate given the shorter term annual performance hurdles to which each employee is subject. Similarly, the three, four and five year vesting periods of the ordinary options granted to the entity's Managing Director in 2008 under the 2008 OP, together with the significantly higher exercise price for the options above the market price for the Company's ordinary shares and the performance conditions attaching to each tranche of options, are designed to encourage performance and to closely align the employees' interests with those of shareholders.

The success of these retention grants under the legacy LTI plans is demonstrated by the relatively stable membership of the Executive Committee KMP over the past decade, with most Executive Committee KMP having served the Company for significant periods of time, including prior to becoming Executive Committee KMP.

There are no provisions within any of the LTI plans for the automatic or full vesting of the relevant shares in the event of a change of control of the Company.

The 4 main legacy LTI plans, the EOP, ESP, SESP and AESP, all feature limited recourse loans limited to security over the relevant shares, the latter 3 plans together with a buy-back option in the event the market value of the shares is less than the loan amount. Accordingly no hedging by employees is necessary, whether of vested or unvested ESP shares. The Company has full control over all loans and the repayment thereof and full control over all shares including through holding locks. Accordingly, other than for the Managing Director's 2008 ordinary options, the Company has no policy on hedging or margin lending by employees. In relation to the options granted to the Company's Managing Director, Mr. Burke, on 18 July 2008 under the 2008 OP, the terms of the offer specifically prohibit the hedging of unvested options by Mr. Burke. No hedging policy applies to the legacy LTI plans.

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

(b) Share based Long Term Incentive grants

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

The Company's ESP was approved by shareholders on 19 November 1996 and allows for the issue of up to 5% of the Company's issued A Class Preference shares to executives and employees of the consolidated entity and significant associated entities. Directors of the Company are not eligible to participate in the ESP. The ESP has been closed to further allotments since July 2007.

Offers were at the discretion of the Directors and preference 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 shares are 'earned' at the rate of 20% per year over five years from date of issue. The loan bears interest at ten cents per share per annum and the first ten cents of every dividend per share 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.

If the employee resigns or is dismissed, the restricted and 'unearned' 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 classified as 'in substance options'.

On 17 March 2005, 150,000 preference shares were allotted under the ESP. Under AASB 2: *Share-based Payment* all allotments under the ESP are deemed to be of 'in substance options' even though the equity instrument itself is not a share option.

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: \$1.92;
- Expected volatility: 22% - based on historical volatility;
- Risk-free interest rate: 5.62% - the risk free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

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. The resulting fair values per option for those 'in substance options' was \$0.33.

This grant has been amortised over the vesting periods resulting in an increase in employee benefits expense of \$1,394 for the 2010 financial year (2009: \$3,723).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(26) SHARE BASED PAYMENT PLANS (continued)

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

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

On 31 January 2007, 3,590,000 preference shares were allotted under the ESP. The fair value of each 'in substance option' was estimated on the date of grant using the binomial option-pricing model with the following assumptions:

- Value per loan per share: \$3.14;
- Expected volatility: 25% - based on historical volatility;
- Risk-free interest rate: 5.971% - the risk free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The resulting fair values per option for those 'in substance options' was \$0.919.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$425,884 for the 2010 financial year (2009: \$710,309).

On 25 June 2007, 300,000 preference shares were allotted under the ESP. The fair value of each 'in substance option' was estimated on the date of the grant using the binomial option pricing model with the following assumptions:

- Value per loan per share: \$3.20;
- Expected volatility: 25% - based on historical volatility;
- Risk-free interest rate: 6.27% - the risk free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The resulting fair values per option for those 'in substance options' was \$0.96.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$44,804 for the 2010 financial year (2009: \$73,447).

(ii) Senior Executive Share Plan and Loan Facility ("SESP")

The Company's SESP was approved by shareholders on 25 November 2005 and allowed for the issue of 1,000,000 ordinary shares and 1,000,000 preference shares in the capital of the Company to the Company's then Finance Director, Mr. P.E. Foo under a Share Subscription and Loan Deed.

The SESP shares were issued at the 5-day weighted average price on the market prior to allotment, which was on 14 December 2005, rounded up to the next whole cent. The shares are held directly by Mr Foo who paid for the allotment by obtaining a loan from the consolidated entity which holds the SESP shares as security.

As with the ESP, the SESP shares are 'earned' at the rate of 20% per year over five years from date of issue. The loans bear interest at ten cents per preference share and seven cents per ordinary share per annum with the first ten cents per preference share and seven cents per ordinary share of every dividend used to repay the interest accrued. 50% of any remaining dividends per share are used to repay the capital amount of the loans, which must be repaid within 8 years (by December 2013).

If Mr Foo resigns or is dismissed, the restricted and 'unearned' 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. Following Mr. Foo's cessation of employment on 4 August 2009, Mr. Foo's remaining unvested shares under the SESP were vested and the loan repayment was extended to December 2011. In circumstances where the market value of the remaining SESP shares 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 executive. Under AASB 2: *Share-based Payment* this allotment is also deemed to be of 'in substance options' even though the equity instrument itself is not a option.

The fair value of each 'in substance option' is estimated on the date of grant using the binomial option-pricing model with the following assumptions used for preference share grants made on 14 December 2005:

- Value per loan per share: \$2.29;
- Expected volatility: 25% - based on historical volatility;
- Risk-free interest rate: 5.41% - the risk free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The resulting fair values per option for those 'in substance options' for Mr. Foo was \$0.50.

The fair value of each 'in substance option' is estimated on the date of grant using the binomial option-pricing model with the following assumptions used for ordinary share grants made on 14 December 2005:

- Value per loan per share: \$2.67;
- Expected volatility: 30% - based on historical volatility;
- Risk-free interest rate: 5.41% - the risk free rate was converted to a continuously compounded rate; and
- Expected life of options: 8 years.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The resulting fair values per option for those 'in substance options' for Mr. Foo was \$0.90.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$31,438 for the 2010 financial year (2009: \$60,251) for the preference share 'in substance options' and of \$56,589 for the 2010 financial year (2009: \$108,452) for the ordinary share 'in substance options'.

(iii) Austereo Group Limited's Executive Share Plan and Loan Facility ("AESP")

The AESP, and the specific grant of shares to Mr. P.M. Harvie, was approved by shareholders of Austereo on 19 January 2001 and allows for the issue of up to 5% of Austereo's issued ordinary shares to executives and employees of the Austereo consolidated entity. Executive Directors of Austereo are eligible to participate in the AESP. The AESP has been closed to new allotments since January 2002.

Offers were at the discretion of the Austereo Directors and ordinary shares were issued at the five-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 Austereo consolidated entity which holds the AESP shares as security.

The shares are 'earned' at the rate of 25% per year over four years from date of grant. The loan bears interest at six cents per share per annum and the first six cents of every dividend per share 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.

If the employee resigns or is dismissed, the restricted and 'unearned' shares are forfeited and the loan on the remaining unrestricted shares must be repaid within six months or such other time as approved by Austereo's Directors. In circumstances where the market value of the remaining AESP shares at the end of the six month period are less than the amount owing on the loan, then Austereo will buy-back the shares and cancel them in repayment of the loan without further recourse to the employee.

Under AASB 2: *Share-based Payment* any allotments under the AESP are also deemed to be of 'in substance options' even though the equity instrument itself is not an option.

No allotments under the AESP have been made during the year, and all grants pre-date the introduction of AASB 2: *Share-based Payment*.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(26) SHARE BASED PAYMENT PLANS (continued)

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

(iv) 2008 Option Plan over ordinary shares to the entity's Managing Director ("2008 OP")

The 2008 OP for the Company's Managing Director Mr. Graham Burke, was approved by the Company's shareholders on 17 July 2008 with a grant on 18 July 2008 of six million options over ordinary shares exercisable at \$3.00 per share, with vesting subject to performance hurdles relating to growth in earnings per share and growth in dividends.

Subject to certain performance conditions, two million options are exercisable not earlier than 1 March 2011; two million options are exercisable not earlier than 1 March 2012; and two million options are exercisable not earlier than 1 March 2013.

The earnings per share ("EPS") performance hurdle has a starting point of 27 cents per ordinary share on 31 December 2007 and the dividend performance hurdle has a starting point of 9 cents per ordinary share on 31 December 2007, with growth measured on calendar year performance.

For all options to vest, the Company's performance must meet a minimum 10% cumulative average growth rate ("CAGR") in EPS over the 3 year vesting period for half of each tranche to vest, and must meet a minimum 10% CAGR in dividends paid over 2 out of the 3 year vesting period for the other half of each tranche to vest. For half of the options to vest, the Company's performance must meet a minimum 5% CAGR in EPS over the 3 year vesting period for one quarter of each tranche to vest, and must meet a minimum 5% CAGR in dividends paid over 2 out of the 3 year vesting period for another quarter of each tranche to vest. Below 5% CAGR in either dividends or in EPS no options vest, with a pro-rata straight line vesting scale between 5% and 10% CAGR for each performance condition. The effect of the performance hurdles on the potential vesting of the options can be illustrated as follows:

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

Subject to '2 out of 3 years' test.

* A pro rata straight line vesting scale applies.

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

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

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: 5.0%;
- Risk-free interest rate: 6.38%; and
- Expected life of options: 3, 4 and 5 years ended 1 March 2011, 2012 and 2013 with expiry at 1 March 2015.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The resulting fair values per option for Mr Burke were \$0.25, \$0.27 and \$0.29 for Tranches 1, 2 and 3 respectively.

These grants have been amortised over the vesting periods resulting in an increase in employee benefits expense of \$417,511 for the 2010 financial year (2009: \$417,511).

(v) Executive and Employee Option Plan ("EOP")

The Company's EOP was approved by shareholders in November 1993 and allowed for the issue of options over the Company's issued ordinary and A Class preference shares to Executive Committee KMP and other executives. Directors of the Company were not eligible to participate in the EOP. The options were exercisable at the end of years one, two, three, four and five after the date of grant and were often exercised by obtaining a loan from the consolidated entity which held the resulting shares as security. Dividends are used to repay the interest accrued with any surplus dividend payment used to repay the capital amount of the loan.

The EOP is also a legacy equity-linked performance plan as further allotments under the EOP were discontinued when the ESP was introduced in 1996, but existing shares and loans held by continuing participants remain.

(vi) Holdings of Executive Directors and Senior Managers

There have been no allotments to KMP under any share based payment plan during the financial period.

The number of shares in the Company and in Austereo during the financial year in which the KMP of the Company have a relevant interest, including their personally-related entities, are set out in Note 25.

VILLAGE ROADSHOW LIMITED

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Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(26) SHARE BASED PAYMENT PLANS (continued)

(c) Option holdings of Key Management Personnel (Consolidated)

(i) Holdings of Options over shares in Village Roadshow Limited of Key Management Personnel during the year and prior year

30 June 2010

Name	Balance at beginning of period	Granted as remuneration	Options Exercised	Net Change Other	Balance at end of period	Vested and exercisable at the end of the year
Directors						
Graham W. Burke	6,000,000	-	-	-	6,000,000	-
Executives						
Nil						

30 June 2009

Name	Balance at beginning of period	Granted as remuneration ¹	Options Exercised	Net Change Other	Balance at end of period	Vested and exercisable at the end of the year
Directors						
Graham W. Burke	6,000,000	-	-	-	6,000,000	-
Executives						
Nil						

¹ Although the 2008 Option Plan grant was approved by shareholders in July 2008, the vesting commencement date was 1 March 2008 and accordingly the allotment has been treated as though it occurred in the 2008 financial year.

Other than the 'in substance options' described in (b) above, no options are vested and unexercisable at the end of the year.

(ii) Holdings of 'In Substance Options' of Key Management Personnel in shares in Village Roadshow Limited during the year and prior year

30 June 2010

Name	Balance at the start of the year		Granted as remuneration		On exercise of options	Net change other		Balance at the end of the year	
	Ord.	Pref.	Ord.	Pref.	Ord./Pref.	Ord.	Pref.	Ord.	Pref.
Directors									
Peter M. Harvie	257,400	242,900	-	-	-	-	-	257,400	242,900
Executives									
Philip S. Leggo	64,350	550,000	-	-	-	-	-	64,350	550,000
Julie E. Raffe	-	350,000	-	-	-	-	-	-	350,000
Simon T. Phillipson	-	400,000	-	-	-	-	-	-	400,000
Timothy Carroll	-	500,000	-	-	-	-	-	-	500,000
Peter J. Davey ¹	-	250,000	-	-	-	-	-	-	250,000
David Kindlen	-	150,000	-	-	-	-	-	-	150,000

30 June 2009

Name	Balance at the start of the year		Granted as remuneration		On exercise of options	Net change other		Balance at the end of the year	
	Ord.	Pref.	Ord.	Pref.	Ord./Pref.	Ord.	Pref.	Ord.	Pref.
Directors									
Peter M. Harvie	257,400	242,900	-	-	-	-	-	257,400	242,900
Executives									
Peter E. Foo ²	1,000,000	800,000	-	-	-	-	-	1,000,000	800,000
Philip S. Leggo	64,350	550,000	-	-	-	-	-	64,350	550,000
Julie E. Raffe	-	350,000	-	-	-	-	-	-	350,000
Tony N. Pane ³	-	500,000	-	-	-	-	-	-	500,000
Simon T. Phillipson	-	400,000	-	-	-	-	-	-	400,000
Timothy Carroll	-	500,000	-	-	-	-	-	-	500,000
Peter J. Davey	-	250,000	-	-	-	-	-	-	250,000
David Kindlen	-	150,000	-	-	-	-	-	-	150,000

¹ On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.

² On 19 June 2009 Mr. Foo retired from the Executive Committee and ceased as KMP from that date.

³ On 31 December 2008, Mr. Pane retired from the Executive Committee and ceased as KMP from that date.

(26) SHARE BASED PAYMENT PLANS (continued)

(c) Option holdings of Key Management Personnel (Consolidated) (continued)

(iii) Holdings of 'In Substance Options' of Key Management Personnel in shares in Austereo Group Limited during the year and prior year

30 June 2010

Name	Balance at the start of the year	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the year
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
Peter M. Harvie	1,025,000	-	-	-	1,025,000

30 June 2009

Name	Balance at the start of the year	Granted as remuneration	On exercise of options	Net change other	Balance at the end of the year
	Ordinary	Ordinary	Ordinary	Ordinary	Ordinary
Directors					
Peter M. Harvie	1,025,000	-	-	-	1,025,000

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

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

	Balance at the start of the year	Interest charged	Interest not charged ¹	Write-off	Balance at the end of the year ²	Number in group at the end of the year
	\$	\$	\$	\$	\$	No.
Year ended 30 June 2010						
Directors	3,272,913	117,037	57,094	-	3,260,996	1
Executives	5,767,953	228,221	-	-	5,739,649	6
Total KMP	9,040,866	345,258	57,094	-	9,000,645	7
Year ended 30 June 2009						
Directors	3,286,029	117,198	68,337	-	3,272,913	1
Executives	10,756,251	428,221	-	-	10,800,315	8
Total KMP	14,042,280	545,419	68,337	-	14,073,228	9

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

30 June 2010

	Balance at the start of the year	Interest charged	Interest not charged ¹	Write-off	Balance at the end of the year ²	Highest owing in period
	\$	\$	\$	\$	\$	\$
Directors						
Peter M. Harvie	3,272,913	117,037	57,094	-	3,260,996	3,307,314
Executives						
Philip S. Leggo	1,285,856	63,221	-	-	1,280,240	1,290,383
Julie E. Raffe	1,084,196	35,000	-	-	1,079,384	1,085,838
Simon T. Phillipson	925,614	40,000	-	-	920,114	927,491
Timothy Carroll	1,233,205	50,000	-	-	1,226,330	1,235,551
Peter J. Davey ³	774,426	25,000	-	-	770,988	775,599
David Kindlen	464,656	15,000	-	-	462,593	465,359

30 June 2009

	Balance at the start of the year	Interest charged	Interest not charged ¹	Write-off	Balance at the end of the year ²	Highest owing in period
	\$	\$	\$	\$	\$	\$
Directors						
Peter M. Harvie	3,286,029	117,198	68,337	-	3,272,913	3,328,384
Executives						
Peter E. Foo ⁴	4,013,543	150,000	-	-	4,031,553	4,077,242
Philip S. Leggo	1,278,614	63,221	-	-	1,285,856	1,305,461
Julie E. Raffe	1,081,134	35,000	-	-	1,084,196	1,095,997
Tony N. Pane ⁵	996,434	50,000	-	-	1,000,809	1,017,667
Simon T. Phillipson	922,114	40,000	-	-	925,614	939,100
Timothy Carroll	1,228,830	50,000	-	-	1,233,205	1,250,063
Peter J. Davey	772,238	25,000	-	-	774,426	782,855
David Kindlen	463,343	15,000	-	-	464,656	469,713

¹ Refers to aggregate net non-monetary benefit to reflect the value of the difference between the interest at the deemed arms length market interest rate and the actual interest rate charged and paid and payable on a cents per share basis on 'in substance option' loans for shares held under the Company's various executive incentive share plans. In relation to those 'in substance options' granted after 7 November 2002, the benefit thereon in effect is already included in the notional cost of the relevant share-based payments.

² Note that, as only selected movements are required to be disclosed, the figures in these tables may not add across.

³ On 30 June 2010 Mr. Davey retired from the Executive Committee and ceased as KMP from that date.

⁴ On 19 June 2009 Mr. Foo retired from the Executive Committee and ceased as KMP from that date.

⁵ On 31 December 2008, Mr. Pane retired from the Executive Committee and ceased as KMP from that date.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(26) SHARE BASED PAYMENT PLANS (continued)

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

(iii) Summary of terms and conditions of 'In Substance Option' loans to Key Management Personnel

Under the terms of the legacy 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 legacy Executive Share Plan Loan Facility, the first 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 legacy Senior Executive Share Plan, the first 10 cents of every preference dividend and the first 7 cents of every ordinary 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 legacy Austereo Group Limited Executive Share Plan & Loan Facility, the first 6 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.

No write-downs or allowances for doubtful receivables have been recognised in relation to the principal amounts of any loans made to Key Management Personnel.

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

	2010 Number	2010 WAEP - \$	2009 Number	2009 WAEP - \$
Outstanding at Beginning of Year	17,131,450	2.65	17,336,450	2.66
Granted during the Year	-	-	-	-
Forfeited/lapsed during the Year	(420,000)	2.81	(205,000)	3.11
Exercised during the Year	(205,000)	1.42	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the Year	16,506,450	2.66	17,131,450	2.65
Exercisable at the end of the Year	9,120,450	2.37	8,102,450	2.28

(v) The outstanding balance as at 30 June 2010 is represented by:

Executive & Employee Option Plan: 407,550 options over ordinary shares in the Company with an exercise price of \$2.63 each, and 42,900 options over preference shares in the Company with an exercise price of \$1.85 each.

Executive Share Plan and Loan Facility: 6,686,000 options over preference shares in the Company with exercise prices ranging from \$1.40 to \$3.64.

Senior Executive Share Plan: 1,000,000 options over ordinary shares in the Company with an exercise price of \$2.67 each, and 800,000 options over preference shares in the Company with an exercise price of \$2.29 each.

Option Plan for Managing Director: 6,000,000 options over ordinary shares in the Company exercisable at \$3.00 each with an expiry date of 1 March 2015.

Austereo Group Limited's Executive Share Plan and Loan Facility: 1,570,000 options over ordinary shares in Austereo Group Limited with an exercise price of predominantly \$1.85 each.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	2010	CONSOLIDATED 2009
	\$	\$
(27) REMUNERATION OF AUDITORS		
The auditor of Village Roadshow Limited is Ernst & Young (Australia). Aggregate remuneration received or due and receivable by Ernst & Young, directly or indirectly from the parent entity or any related entity, in connection with - <i>Ernst & Young (Australia) -</i> An audit or review of the financial report of the entity and any other entity in the consolidated group	1,559,401	1,545,576
Other services in relation to the entity and any other entity in the consolidated group		
- Tax	188,000	196,123
- Corporate Finance	314,000	38,427
- Assurance related	104,000	101,962
	2,165,401	1,882,088
<i>Auditors other than Ernst & Young (Australia) -</i> An audit or review of the financial reports of any entity in the group	88,080	374,266
Other services in relation to the entity and any other entity in the consolidated group		
- Tax	193,000	261,351
- Assurance related	-	80,723
	281,080	716,340
	2,446,481	2,598,428

(28) 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.

(a) Restructuring of Gold Class USA Operations:

An indirect US subsidiary company of VRL ("VR Attractions") has signed a Memorandum of Understanding in relation to the Gold Class USA operations which, if completed, will result in VR Attractions contributing approximately US\$8 million to a new company, which will be 30% owned by VR Attractions and which will own the restructured Gold Class USA business operations.

(b) Part-Repayment of Loans and Release of Guarantee re: Film Production and Music Division:

As announced to the Australian Securities Exchange ("ASX") on 9 August 2010, the VRL group has now been repaid for the loans made to Village Roadshow Entertainment Group ("VREG") since May 2010 (and accrued interest), and has also been released from the guarantee that was provided in May 2010, resulting in approximately US\$20.6 million being repaid to the VRL group in August 2010.

(c) Simplification of Capital Structure and Capital Management Proposal:

As advised to the ASX on 9 August 2010, VRL intends to vary the rights of VRL's preference shares so that they have the same rights as VRL's ordinary shares, and also intends to conduct an on-market buy-back of ordinary and preference shares. The proposed variation of rights is conditional on VRL buying back ordinary shares and preference shares totalling at least 11 million shares in VRL, and the capital management proposal is conditional upon various matters including shareholder approval. Full details were contained in the Explanatory Memorandum that was released on 24 August 2010.

(29) INTERESTS IN JOINTLY CONTROLLED OPERATIONS

Interests in jointly controlled continuing operations:

Names and principal activities of jointly controlled operations, the percentage interest held by entities in the Group and the contributions of those jointly controlled operations to results after tax -

NAME	PRINCIPAL ACTIVITY	% INTEREST HELD 2010	CONTRIBUTIONS TO OPERATING PROFIT AFTER TAX	
			2010 \$'000	2009 \$'000
Australian Theatres	Multiplex cinema operator	50.00%	28,695	22,606
Browns Plains Multiplex Cinemas	Multiplex cinema operator	33.33%	101	81
Carlton Nova / Palace	Cinema operator	25.00%	622	473
Castle Towers Multiplex Cinemas	Multiplex cinema operator	33.33%	648	333
Geelong Cinema	Cinema operator	50.00%	609	346
Jam Factory Cinema	Cinema operator	50.00%	255	117
Morwell Multiplex Cinemas	Cinema operator	75.00%	737	412
Mt. Gravatt Multiplex Cinemas	Cinema operator	33.33%	1,118	1,016
Village / GUO / BCC Cinemas	Cinema operator	50.00%	2,968	2,524
Village / Sali Cinemas Bendigo	Cinema operator	50.00%	901	637
Village Anderson Cinemas	Cinema operator	50.00%	1,674	1,187
Village Warrnambool Cinemas	Cinema operator	50.00%	172	112
			38,500	29,844

There were no impairment losses in the jointly controlled operations.

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
<i>Aggregate share of assets in jointly controlled continuing operations -</i>		
<i>Current assets:</i>		
Cash	12,044	9,891
Receivables	4,111	2,357
Inventories/Other	3,018	1,228
<i>Non-current assets:</i>		
Property, plant & equipment and intangibles	71,254	73,115
Receivables/Other	4,510	5,680
<i>Current liabilities:</i>		
Payables	(15,324)	(15,475)
Borrowings/Provisions/Other	(5,098)	(1,795)
<i>Non-Current liabilities:</i>		
Payables	(477)	(1,418)
Borrowings/Provisions/Other	(2,686)	(2,516)
Share of net assets of joint venture	71,352	71,067

VILLAGE ROADSHOW LIMITED
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Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2010

(30) SEGMENT REPORTING

(a) Reporting by operating segments¹

	THEME PARKS		ATTRACTIONS		CINEMA EXHIBITION		RADIO		FILM DISTRIBUTION		OTHER ²		TOTAL	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Total segment revenue - continuing	303,289	288,681	57,904	57,561	237,373	208,183	259,323	254,638	409,295	429,358	-	-	1,267,184	1,238,421
Plus: Non-segment revenue	-	-	-	-	-	-	(3,381)	(2,769)	(15,634)	(14,681)	8,399	9,748	8,399	9,748
Less: Inter-segment revenue	-	-	-	-	-	-	-	-	-	-	(342)	(744)	(19,357)	(18,193)
Total Revenue													1,256,226	1,229,976
Segment results before tax-continuing	42,860	32,454	8,529	10,275	30,802	21,712	67,189	65,295	36,631	37,026	-	-	186,011	166,762
Non-segment result (Corporate)	42,860	32,454	8,529	10,275	30,802	21,712	67,189	65,295	36,631	37,026	(60,956)	(55,908)	(60,956)	(55,908)
Operating profit before tax and material items of income and expense													125,055	110,854
Material items of income and expense	-	-	-	-	-	-	-	-	-	-	(60,956)	(55,908)	(22,315)	(79,688)
Total profit before tax from continuing operations per the statement of comprehensive income													102,740	31,166
Interest income	491	358	182	121	614	639	174	202	1,696	2,414	2,373	3,898	5,530	7,632
Finance costs before fair value change on derivatives	20,705	22,061	5,463	4,180	5,787	3,239	13,440	14,538	7,865	8,327	14,306	12,555	67,566	64,900
Finance costs - fair value change on derivatives (material items)	-	-	-	-	-	-	-	-	-	-	-	-	(7,009)	18,011
Total finance costs	20,705	22,061	5,463	4,180	5,787	3,239	13,440	14,538	7,865	8,327	14,306	12,555	60,557	82,911
Depreciation and amortisation expense - continuing	32,871	27,118	5,967	5,519	10,629	11,661	8,000	7,788	7,241	12,227	2,648	2,741	67,456	67,054
Equity accounted net profit (loss) - continuing (excluding material items)	-	-	-	-	(2,541)	(3,774)	1,891	1,762	-	-	(218)	42	(868)	(1,970)
Equity accounted net profit (loss) - continuing (material items)	-	-	-	-	-	-	-	-	-	-	-	-	(2,209)	(4,618)
Total equity accounted net profit (loss) - continuing	-	-	-	-	(2,541)	(3,774)	1,891	1,762	-	-	(218)	42	(3,077)	(6,588)
Non-cash expenses other than depreciation - continuing	353	1,171	38	120	-	1,444	629	3,834	121	-	693	3,193	1,834	9,762
Capital expenditure	27,133	68,993	7,968	5,379	8,569	10,659	13,224	16,577	2,863	1,708	1,830	3,845	61,587	107,161
Reporting by geographic regions														
Revenue														
Revenue from geographic locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.														
Australia													1,189,728	1,165,761
United States of America													24,852	16,932
New Zealand													41,646	47,283
Total as per Statement of Comprehensive Income													1,256,226	1,229,976
Non-current assets														
The analysis of the location of non-current assets other than financial instruments and deferred tax assets is as follows:														
Australia													1,485,913	1,585,836
United States of America													80,528	79,634
New Zealand													12,663	12,326
Other													15,645	12,125
Total													1,594,749	1,669,921

¹ Description of Reportable Segments:

Theme Parks: Theme park and water park operations.
 Attractions: Aquariums and other attraction operations.
 Cinema Exhibition: Cinema exhibition operations.
 Radio: FIM radio operations.
 Film Distribution: Film, DVD & video distribution operations.

² The 'Other' column represents financial information which is not reported in one of the reportable segments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(31) DISCONTINUED OPERATIONS

As advised to the Australian Securities Exchange on 10 August 2009, the VRL group has disposed of its Cinema Exhibition and Film Distribution operations in Greece, and has also disposed of its Cinema Exhibition operations in the Czech Republic, effective from 1 July 2009. Details of the results of those discontinued operations for the current and previous corresponding periods are as follows:

	TOTAL GROUP 2010 \$ '000	TOTAL GROUP 2009 \$ '000
<i>(i) Income Statement Information:</i>		
Revenues	-	153,827
Other income	22,205	2,304
Finance costs	-	(1,514)
Expenses excluding finance costs	-	(152,039)
Profit (loss) from discontinued operations before tax	22,205	2,578
Income tax (expense) benefit	3,345	(39)
Profit (loss) from discontinued operations after tax	25,550	2,539
<i>(ii) Cash flow Information:</i>		
The consolidated net cash flows of the discontinued operations during the reporting period were as follows:		
Net operating cash flows	-	(2,617)
Net investing cash flows	72,662	(5,562)
Net financing cash flows	-	12,735
Total net cash flows	72,662	4,556
<i>(iii) Balance Sheet/Other Information:</i>		
Assets - carrying amount at balance date	-	122,694
Liabilities at balance date	-	(61,060)
Net assets (liabilities) at balance date	-	61,634
Consideration received or receivable - cash and cash equivalents	83,839	-
Net assets disposed of	61,634	-
Gain (Loss) on disposal of net assets before income tax	22,205	-
Tax (expense) benefit relating to disposal of net assets	3,345	-
Gain (Loss) on disposal of net assets after income tax	25,550	-
<i>(iv) Net cash inflow on disposal:</i>		
Cash and cash equivalents consideration	83,839	-
Less cash and cash equivalents balance disposed of	11,177	-
Reflected in the cash flow statement	72,662	-
<i>(v) Earnings per share (cents per share):</i>		
- Basic and diluted from discontinued operations	21.47	2.00

	VILLAGE ROADSHOW LIMITED	
	2010	2009
	\$'000	\$'000
(32) PARENT ENTITY DISCLOSURES		
(a) Summary financial information		
Current assets	1,268	1,039
Total assets	748,249	979,569
Current liabilities	10,752	191,000
Total liabilities	135,110	223,990
Issued capital	280,316	388,739
Retained earnings	326,887	361,882
Employee equity benefit reserve	5,936	4,958
Total shareholders' equity	613,139	755,579
Profit (loss) after tax	(20,042)	5,008
Total comprehensive income (expense)	(20,042)	5,008
(b) Financial guarantees		
Financial guarantees (refer Note 15(ii))	2,533	2,360
(c) Franking credit balance		
Amount of franking credits available for future reporting periods	819	3,774
(d) Contingent liabilities		
(i) Termination benefits under personal services agreements for executives and consultants	6,023	5,588
(ii) Bank guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	1,659	1,367
(iii) Several corporate guarantees for operating lease commitments		
(a) Guarantees for subsidiaries	64,061	80,084
(b) Guarantees for joint ventures	20,360	21,740
(iv) Other corporate guarantee commitments		
(a) Guarantees in respect of partnership commitments	5,000	8,000
(b) Guarantees in respect of associated entities' banking facilities	5,000	5,000
	102,103	121,779

(33) 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, convertible notes, finance leases and hire purchase contracts, trade receivables, trade payables and cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also enters into derivative transactions, including principally interest rate swaps, caps and collars (caps and floors). The purpose is to manage the interest rate risks arising from the Group's sources of finance. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, liquidity risk and credit risk, and include the fair value movements from the financial instruments. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, 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 balance 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	
	2010	2009
	\$'000	\$'000
<i>Financial assets:</i>		
Cash and cash equivalents	101,720	79,626
<i>Financial liabilities:</i>		
Secured and unsecured borrowings	803,813	859,530
Net exposure	702,093	779,904

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

At balance date, various entities within the Group had entered into interest rate derivatives covering debts totalling \$535.0 million (2009: \$451.3 million). These interest rate derivatives covered approximately 58% (2009: 46%) of total borrowings of the Group drawn down at balance date. The majority (by value) of the interest rate derivatives mature in 2010 to 2012 (2009: 2009 to 2011), and have not been designated in hedging relationships under Australian Accounting Standards.

(33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Risk exposures and responses (continued)

Cash flow interest rate risk (continued)

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 balance 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 2010 and 30 June 2009, 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:

Sensitivity analysis	Post tax profit Higher / (Lower)		Equity Higher / (Lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CONSOLIDATED				
If interest rates were 100 basis points higher with all other variables held constant	(3,484)	(2,666)	1,180	1,018
If interest rates were 100 basis points lower with all other variables held constant	2,609	2,748	(1,194)	(1,018)

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

Foreign currency risk

The Group has transactional foreign currency exposures, which arise from sales or purchases by the relevant division in currencies other than the division's functional currency.

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

In addition, the Film Distribution division uses forward currency contracts to eliminate the foreign currency exposure on part of that division'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 2010 and 30 June 2009, the Group had hedged the majority (by value) of foreign currency purchases that were firm commitments.

As at 30 June 2010 and 30 June 2009, the Group had no material net exposure to foreign currency, and no material exposure to foreign currency that was designated in cash flow hedges or covered by held for trading derivatives.

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 balance date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as recognised on the balance sheet.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. However, the Group ensures that it only enters into contracts with credit worthy institutions, as set out in the relevant Group policy.

Concentrations of credit risk:

The Company 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. Refer also to Note 30 - Segment Reporting.

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, convertible notes, preference shares, 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 table below, 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 2010, 7% (2009: 28%) of the Group's debt will mature in less than one year.

VILLAGE ROADSHOW LIMITED
ABN 43 010 672 054
Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2010

(33) 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 2010. For derivative financial instruments the contracted notional cash flow is presented, whereas for the other obligations the respective 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 2010.

	1 YEAR OR LESS		OVER 1 YEAR TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000	2010 \$ '000	2009 \$ '000
CONSOLIDATED								
<i>(i) Financial assets</i>								
Cash	101,720	79,626	-	-	-	-	101,720	79,626
Receivables and other advances	163,566	221,578	76,420	60,318	-	-	239,986	281,896
Derivatives	13,103	13,243	3,099	324	-	-	16,202	13,567
Security deposits	-	-	1,627	5,402	-	-	1,627	5,402
Total financial assets	278,389	314,447	81,146	66,044	-	-	359,535	380,491
<i>(ii) Financial liabilities</i>								
Trade and other payables	226,358	264,502	31,988	30,097	-	-	258,346	294,599
Secured and unsecured borrowings	135,266	324,670	945,505	767,629	45,564	24,122	1,126,335	1,116,421
Finance lease liabilities	210	231	390	195	-	-	600	426
Derivatives	15,847	24,997	4,923	5,729	-	-	20,770	30,726
Total financial liabilities	377,681	614,400	982,806	803,650	45,564	24,122	1,406,051	1,442,172
Net maturity	(99,292)	(299,953)	(901,660)	(737,606)	(45,564)	(24,122)	(1,046,516)	(1,061,681)

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 \$128.9 million as at 30 June 2010.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Terms, conditions and accounting policies

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

Recognised Financial Instruments

(i) Financial assets

Receivables - trade debtors:

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

Receivables - associated entities and other advances:

Amounts (other than trade debts) receivable from associated entities and for other advances are carried at either the nominal amounts due or the amounts initially recorded as recoverable. Interest, when charged, is recognised in profit or loss on an accrual basis, and provided against when not probable of recovery. Other than the loan to Village Roadshow Entertainment Group, which has specified repayment terms, there are no fixed settlement terms for loans to associated and other entities.

Unsecured advances:

Unsecured advances are shown at cost. Interest, when charged, is recognised in profit or loss on an accrual basis. There are no fixed settlement terms.

Available for sale investments:

Available for sale investments are shown at 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, quarterly, bi-annually, annually or at expiry with terms ranging from less than one year to greater than five years. While interest is charged either at the bank's floating rate or at a contracted rate above the Australian dollar BBSY rate, certain borrowings are subject to interest rate swaps. Refer interest rate swaps section 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 balance date, the Group had finance leases with an average lease term of three years. The average discount rate implicit in the leases is 7.2% p.a (2009: 7.2%).

Interest rate swaps:

At balance date, the Group had interest rate swap agreements in place, some of which have been designated as hedges of future interest expense. 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 balance date, the Group had a number of interest rate collar (floor and cap) agreements in place. These derivatives are being used to assist in hedging the cash flow interest rate risk of various debt obligations with a floating interest rate.

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

(iii) Equity

Ordinary shares:

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

Preference shares:

From 1 July 1998, preference 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, preference 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 preference shares at balance date are set out in Note 19.

(33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Fair values

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

CONSOLIDATED	TOTAL CARRYING AMOUNT AS PER BALANCE SHEET		AGGREGATE NET FAIR VALUE	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>Financial assets:</i>				
Cash	101,720	79,626	101,720	79,626
Receivables - trade debtors	173,552	222,608	173,552	222,608
Receivables - associated entities and other advances	61,870	54,044	54,460	47,571
Unsecured advances	4,564	5,244	4,387	4,860
Available for sale investments	843	859	843	859
Derivatives	687	322	687	322
Security Deposits	1,627	5,402	1,627	5,402
Total financial assets	344,863	368,105	337,276	361,248
<i>Financial liabilities:</i>				
Trade and other payables	258,346	294,599	258,346	294,599
Secured and unsecured borrowings	928,213	979,105	761,804	861,845
Finance lease liabilities	600	426	535	383
Derivatives	5,129	16,590	5,129	16,590
Total financial liabilities	1,192,288	1,290,720	1,025,814	1,173,417

Receivables from associated entities and other advances, and unsecured advances, are carried in excess of their net fair value. The Directors have decided not to write down these amounts since they expect to recover their full face values.

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

Cash, cash equivalents and short-term deposits:

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

Receivables and accounts payable - current:

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

Receivables - non current:

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

Borrowings - current:

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

Borrowings - non current:

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

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

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

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

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

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

	2010			2009		
	Valuation technique- market observable inputs (Level 2) \$'000	Valuation technique- market observable inputs (Level 3) \$'000	Total \$'000	Valuation technique- market observable inputs (Level 2) \$'000	Valuation technique- market observable inputs (Level 3) \$'000	Total \$'000
<i>Financial assets:</i>						
Available for sale investments	-	843	843	-	859	859
Derivatives	687	-	687	322	-	322
Total financial assets	687	843	1,530	322	859	1,181
<i>Financial liabilities:</i>						
Derivatives	5,129	-	5,129	16,590	-	16,590
Total financial liabilities	5,129	-	5,129	16,590	-	16,590

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques and other relevant models used by market participants. These valuations use both observable and unobservable market inputs.

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in equity are reasonable and the most appropriate at the balance sheet date. Management also believes that changing any of the assumptions to a reasonably possible alternative would not result in a significantly different value.

The level 3 valuation amount does not include any material movement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

(33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Derivative financial instruments

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
<i>Current assets:</i>		
Forward currency contracts - held for trading	55	-
Forward currency contracts - cash flow hedges	191	151
Interest rate swap contracts - cash flow hedges	108	-
Interest rate swap contracts - held for trading	333	77
	687	228
<i>Non-current assets:</i>		
Interest rate swap contracts - held for trading	-	94
	-	94
<i>Current liabilities:</i>		
Interest rate swap contracts - held for trading	113	1,174
Interest rate swap contracts - cash flow hedges	932	2,319
Interest rate collars - held for trading	2,374	5,633
Forward currency contracts - cash flow hedges	-	2,560
	3,419	11,686
<i>Non-current liabilities:</i>		
Interest rate swap contracts - held for trading	-	172
Interest rate swap contracts - cash flow hedges	505	1,209
Interest rate collars - held for trading	1,205	3,504
Forward currency contracts - held for trading	-	19
	1,710	4,904

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(ix).

(i) Forward currency contracts - cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction 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 equity, while the ineffective portion is recognised in profit or loss.

	Notional Amounts AUD		Average exchange rate	
	2010	2009	2010	2009
	\$'000	\$'000		
<i>US \$ hedges</i>				
Consolidated	191	2,409	0.8816	0.6730

(ii) Forward currency contracts - held for trading

Amounts relating to forward currency contracts that have not been designated as hedges are recognised in the profit or loss and disclosed as being held for trading. The Group has the following forward currency contracts outstanding at 30 June 2010 and 30 June 2009:

	Notional Amounts AUD		Average exchange rate	
	2010	2009	2010	2009
	\$'000	\$'000		
<i>US \$ derivatives</i>				
Consolidated	55	-	0.9036	-

(iii) 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. The swap rates range between 4.0% and 6.2% (2009: 4.0% and 6.2%). At balance date, the principal amounts and period of expiry of the interest rate swap contracts were as follows:

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
0-1 years	(824)	(2,319)
1-2 years	(505)	(1,090)
2-3 years	-	(119)
	(1,329)	(3,528)

(33) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Derivative financial instruments (continued)

(iv) Interest rate swaps - held for trading

Amounts relating to interest rate swap contracts that have not been designated as hedges are recognised in profit or loss and disclosed as held for trading. At balance date, the principal amounts and period of expiry of the interest rate swap contracts classified as held for trading were as follows:

	2010	CONSOLIDATED
	\$'000	2009 \$'000
0-1 years	220	(1,097)
1-2 years	-	(78)
	220	(1,175)

(v) Interest rate collars - held for trading

All of the Group's Interest rate collars (floors and caps) are considered to be ineffective and are therefore classified as held for trading, with all amounts being recognised in profit and loss. At balance date, the principal amounts and period of expiry of the interest rate collars were as follows:

	2010	CONSOLIDATED
	\$'000	2009 \$'000
0-1 years	(2,374)	(5,633)
1-2 years	(1,135)	(3,249)
2-3 years	(70)	(255)
	(3,579)	(9,137)

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.

(34) 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.

(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:

	2010	CONSOLIDATED
	\$'000	2009 \$'000
Management & service fee revenue	2,763	2,995
Interest revenue ¹	911	2,431
Commissions & fee revenue	22	13
Guarantee fees received	138	606
Loss on disposal of receivables	175	-
Management fees paid	140	146

¹ Refer Note 33 for interest rate risk on loans to associated entities.

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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - (c) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board, as disclosed in Note 1(b)(i).
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2010.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'R.G. Kirby', written over a horizontal line.

R.G. Kirby
Director

Melbourne, 31 August 2010

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 balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

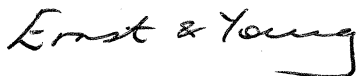
1. the financial report of Village Roadshow Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 22 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Village Roadshow Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Rodney Piltz
Partner
Melbourne
31 August 2010