

26 August 2004

**VILLAGE ROADSHOW AFFIRMS CAPITAL MANAGEMENT OBJECTIVES AND
DIVIDEND POLICY FOR YEAR ENDED 30 JUNE 2004**

CAPITAL MANAGEMENT

The Board of Village Roadshow Limited announced today that it has reviewed and affirmed the capital management objectives outlined in the Company's announcement to Australian Stock Exchange Limited on 1 July 2004.

In brief these can be summarized as follows:

- the overall capital management objective is to create a more efficient capital structure;
- the Directors are of the view that the Company's current capital structure has been a significant impediment to the reflection of the Company's underlying value in share market prices for both ordinary and preference shares;
- the Directors also believe that the current capital structure has the effect of inhibiting the distribution of income on a consistent and sustainable basis to holders of both ordinary and preference shares and thereby reduces the investment appeal of both ordinary and preference shares; and
- as a result, the Directors believe that over time and as business circumstances permit, a total issued capital in the range of 235m to 285m shares will result in a capital structure that can, when required, at least sustain future dividends on a reasonably consistent basis, subject, of course to the financial performance, capital requirements, business objectives and prospects of the Company in the future.

Following the successful on-market buy-backs of 140.1m A Class preference shares ("preference shares") and 23.5m ordinary shares, the Company now has on issue 321,542,140 shares in aggregate comprising:

- 211,413,107 ordinary shares; and
- 110,129,033 A Class preference shares.

To meet the target issued capital of between 235m and 285m under the Company's capital management strategy, the Company currently intends to undertake further on-market buy-backs of up to between 36.5m and 86.5m shares.

However, prior to making any decision in respect of any further buy-back of shares there are several issues that need to be addressed.

Shareholder Approval

Under the *Corporations Act*, a company can only buy-back 10% of its voting shares in any 12 month period in the absence of shareholder approval.

No such restriction applies to the Company's preference shares which are non-voting.

The recent on-market buy-back of ordinary shares was in respect of 10% of the issued ordinary shares.

In order to enable the Company to maintain the flexibility in any future buy-back(s), the Directors have decided to convene a meeting of shareholders to seek approval in accordance with Section 257C of the *Corporations Act* for the Company to buy-back up to a further 43,000,000 ordinary shares (being approximately 20% of the current issued ordinary shares) on-market in the twelve months following the passing of such resolution.

The resolution to be put to shareholders will be an ordinary resolution requiring a simple majority vote. Both ordinary and preference shareholders will be entitled to vote on the resolution.

A Notice of Meeting and Explanatory Memorandum are currently being prepared and are expected to be dispatched to shareholders around the middle of September. It is expected that the shareholder meeting will be held early in October 2004.

Financing of Further On-Market Buy-Backs

At this stage, the Company has not put in place the financing for further on-market buy-backs.

There are, however, a number of transactions which, if completed, will make funds available for the buy-back of shares:

- Negotiations continue for the sale of the Company's interest in the cinema joint venture in Taiwan; and
- Proposals in respect to new borrowings for some of the Company's cinema interests are currently under negotiation with banks.

The Directors believe that there are reasonable grounds to believe that these transactions will be completed in the next few months.

If all of these transactions are successful, it is expected that funding of up to \$100m will be available to the Company for further buy-backs.

Corporate Banking Facility

Any further buy-back of ordinary shares will require the approval of the Company's principal banker, ANZ Bank under the Company's corporate banking facility.

Financial Covenants and Solvency

A buy-back of shares will also involve a review of financial and other covenants under the Group's relevant banking facilities as well as an analysis of the effect of any such buy-back on the financial condition and solvency of the Company following such buy-back.

The Directors have deferred the consideration of the terms of any further buy-backs until the necessary approvals are in place and funding has been obtained. A review of the relevant covenants and financial impact of any buy-back will be undertaken at that time.

DIVIDEND FOR YEAR ENDED 30 JUNE 2004

If a dividend was paid on both the ordinary shares (7.175 cents) and the A Class preference shares (10.175 cents) on issue at 31 August 2004, a cash payment of approximately A\$26m would be required to be made from the Company's cash reserves or credit facilities.

With the capital management objective remaining a priority, the Directors believe that the interests of the Company and its shareholders would be best served by deploying these funds in the buy-back of further shares.

In addition, the Company considers that this amount could be relevant in effecting further buy backs in terms of cash flow, bank covenants and in obtaining the necessary ANZ bank approvals.

Having regard to the foregoing and following a review of the audited accounts for the year ended 30 June 2004, the Directors have determined that no dividend will be declared on ordinary or preference shares for the year ended 30 June 2004.

In accordance with previous announcements, consideration of dividends for the year ending 30 June 2005 will be made following the review of the audited accounts for the year ending 30 June 2005 and in light of the then current circumstances, including the outcome of the Company's capital management strategy.

It is expected that this review will take place at the end of August 2005.

ENQUIRIES: Peter Foo
 Finance Director

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