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ANNUAL MEETING

The 2010 annual meeting of SKYCITY Entertainment Group Limited will be held in the New Zealand Room, SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland, on Friday 29 October 2010, commencing at 10.00am.

The notice of meeting, including agenda, will be mailed to shareholders on or before 8 October 2010.

This report is dated 24 September 2010 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:



R H McGeoch
Chairman



C J D Moller
Director

FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED 30 JUNE 2010

AUDITORS' REPORT



To the shareholders of SKYCITY Entertainment Group Limited

We have audited the financial statements on pages 3 to 46. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2010 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 9 to 15.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors, tax and accounting advisors.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 3 to 46:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 17 August 2010 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010	NOTES	CONSOLIDATED		PARENT	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue including discontinued operations		831,067	838,895	-	-
Less revenue from discontinued operations	23	61,130	76,629	-	-
Continuing revenue	3	769,937	762,266	-	-
Other income	4	920	1,981	100,224	100,199
Shares of net profits of associates		5,868	5,653	-	-
Employee benefits expense		(251,655)	(241,567)	(17,414)	(15,203)
Other expenses	5	(85,245)	(92,926)	(6,303)	(10,089)
Direct consumables		(47,451)	(43,069)	-	-
Gaming taxes and levies		(59,045)	(58,057)	-	-
Marketing and communications		(42,163)	(37,135)	(2,055)	(766)
Directors' fees		(744)	(836)	(744)	(836)
Depreciation and amortisation expense	5	(67,507)	(70,126)	(5,727)	(8,603)
Restructuring costs	5	(2,019)	(2,368)	-	-
Finance costs – net	6	(47,388)	(66,940)	(9,238)	(9,878)
Profit before income tax		173,508	156,876	58,743	54,824
Tax expense pre Government Budget changes	7	(45,431)	(39,643)	-	-
Profit before discontinued operations and tax expense relating to Government Budget changes		128,077	117,233	58,743	54,824
Profit/(loss) from discontinued operations – Cinemas	23	13,491	(1,733)	-	-
Profit for the year before tax expense relating to Government Budget changes		141,568	115,500	58,743	54,824
Tax expense relating to Government Budget changes	7	(39,700)	-	-	-
Profit for the year		101,868	115,500	58,743	54,824
Total tax expense	7	(85,131)	(39,643)	-	-
Attributable to:					
Profit attributable to shareholders of the company		102,025	115,301	58,743	54,824
Non controlling interest	25	(157)	199	-	-
		101,868	115,500	58,743	54,824
		CENTS	CENTS		
Earnings per share for profit attributable to the shareholders of the company:					
Basic earnings per share	8	17.7	23.4		
Diluted earnings per share	8	16.8	21.2		
Attributable to continuing operations:					
Basic earnings per share	8	15.4	23.7		
Diluted earnings per share	8	14.7	21.4		
Attributable to discontinued operations:					
Basic earnings per share	8	2.3	(0.3)		
Diluted earnings per share	8	2.1	(0.2)		

The above income statements should be read in conjunction with the accompanying notes.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010	NOTES	CONSOLIDATED		PARENT	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit for the year		101,868	115,500	58,743	54,824
Other comprehensive income					
Exchange differences on translation of overseas subsidiaries	24	(5,960)	(5,418)	-	-
Effect of hedging the net investment of overseas subsidiaries	24	(1,221)	5,973	-	-
Movement in cash flow hedges	24	8,577	(31,807)	-	-
Income tax relating to components of other comprehensive income	24	(2,198)	8,004	-	-
Other comprehensive income for the year		(802)	(23,248)	-	-
Total comprehensive income for the year, net of tax		101,066	92,252	58,743	54,824
Total comprehensive income for the year is attributable to:					
Shareholders of the company		101,223	92,053	-	-
Minority interest	25	(157)	199	-	-
		101,066	92,252	-	-

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

BALANCE SHEETS

AS AT 30 JUNE 2010	NOTES	CONSOLIDATED		PARENT	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS					
Current assets					
Cash and bank balances	9	102,506	275,613	1	2
Receivables and prepayments	10	23,181	24,156	94,997	26,918
Inventories		7,162	6,617	-	-
Tax receivables	11	18,255	17,922	-	-
Derivative financial instruments	12	-	6,552	-	-
Total current assets		151,104	330,860	94,998	26,920
Non-current assets					
Tax receivables	11	25,141	5,707	-	-
Property, plant and equipment	13	953,179	1,028,765	7,262	4,974
Investment in subsidiaries	31	-	-	618,775	669,049
Intangible assets	14	397,226	406,274	13,053	15,610
Investments in associates	15	83,549	84,637	-	-
Derivative financial instruments	12	26,041	16,603	-	-
Total non-current assets		1,485,136	1,541,986	639,090	689,633
Total assets		1,636,240	1,872,846	734,088	716,553
LIABILITIES					
Current liabilities					
Payables	16	101,800	110,343	230,218	110,768
Current tax liabilities	11	7,100	9,154	-	-
Derivative financial instruments	12	523	5,673	-	-
Subordinated debt – capital notes	18	-	125,230	-	123,827
Subordinated debt – SKYCITY ACES	19	183,806	-	-	-
Total current liabilities		293,229	250,400	230,218	234,595
Non-current liabilities					
Interest bearing liabilities	17	417,126	610,180	-	-
Subordinated debt – capital notes	18	47,030	-	47,030	-
Subordinated debt – SKYCITY ACES	19	-	184,517	-	-
Deferred tax liabilities	20	95,347	48,360	-	-
Derivative financial instruments	12	23,991	34,530	-	-
Other non-current liabilities		-	2,547	-	-
Total non-current liabilities		583,494	880,134	47,030	-
Total liabilities		876,723	1,130,534	277,248	234,595
Net assets		759,517	742,312	456,840	481,958
EQUITY					
Share capital	22	732,910	733,085	732,910	733,085
Reserves	24(a)	7,885	9,036	-	349
Retained profits/(losses)	24(b)	17,397	(1,291)	(276,070)	(251,476)
Parent entity interest		758,192	740,830	456,840	481,958
Minority interest	25	1,325	1,482	-	-
Total equity		759,517	742,312	456,840	481,958

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010	NOTES	SHARE CAPITAL \$'000	RESERVES \$'000	RETAINED LOSSES / PROFITS \$'000	MINORITY INTEREST \$'000	TOTAL EQUITY \$'000
CONSOLIDATED						
Balance as at 1 July 2008		460,779	33,993	(24,300)	1,883	472,355
Total comprehensive income/(expense)		-	(23,248)	115,301	199	92,252
Share placement	22	223,360	-	-	-	223,360
Shares issued under Profit Distribution Plan	22	92,292	-	-	-	92,292
Buyback and cancellation of shares under Profit Distribution Plan	22	(45,511)	-	-	-	(45,511)
Share rights issued for employee services	22	706	-	-	-	706
Employee share entitlements issued	24	1,459	-	-	-	1,459
Distributions/dividends to owners	26	-	-	(92,292)	-	(92,292)
Movement in employee share entitlement reserve	24	-	(1,709)	-	-	(1,709)
Payment to minority interest	25	-	-	-	(600)	(600)
Balance as at 30 June 2009		733,085	9,036	(1,291)	1,482	742,312
Balance as at 1 July 2009		733,085	9,036	(1,291)	1,482	742,312
Total comprehensive income/(expense)		-	(802)	102,025	(157)	101,066
Share rights issued for employee services	22	895	-	-	-	895
Employee share entitlements issued	24	270	-	-	-	270
Dividends	26	-	-	(83,337)	-	(83,337)
Movement in employee share entitlement reserve	24	-	(349)	-	-	(349)
Movement in treasury shares	22	(1,340)	-	-	-	(1,340)
Balance as at 30 June 2010		732,910	7,885	17,397	1,325	759,517

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

STATEMENTS OF CHANGES IN EQUITY

CONTINUED

FOR THE YEAR ENDED 30 JUNE 2010	NOTES	SHARE CAPITAL \$'000	RESERVES \$'000	RETAINED LOSSES \$'000	TOTAL EQUITY \$'000
PARENT					
Balance as at 1 July 2008		460,779	2,058	(214,008)	248,829
Total comprehensive income/(expense)		-	-	54,824	54,824
Share placement	22	223,360	-	-	223,360
Shares issued under Profit Distribution Plan	22	92,292	-	-	92,292
Buyback and cancellation of shares under Profit Distribution Plan	22	(45,511)	-	-	(45,511)
Share rights issued for employee services	22	706	-	-	706
Employee share entitlements issued	24	1,459	-	-	1,459
Distributions to owners	26	-	-	(92,292)	(92,292)
Movement in employee share entitlement reserve	24	-	(1,709)	-	(1,709)
Balance as at 30 June 2009		733,085	349	(251,476)	481,958
Balance as at 1 July 2009		733,085	349	(251,476)	481,958
Total comprehensive income/(expense)		-	-	58,743	58,743
Share rights issued for employee services	22	895	-	-	895
Employee share entitlements issued	24	270	-	-	270
Dividends	26	-	-	(83,337)	(83,337)
Movement in employee share entitlement reserve	24	-	(349)	-	(349)
Net movement in treasury shares	22	(1,340)	-	-	(1,340)
Balance as at 30 June 2010		732,910	-	(276,070)	456,840

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010	NOTES	CONSOLIDATED		PARENT	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash flows from operating activities					
Receipts from customers		830,821	836,872	-	-
Payments to suppliers and employees		(494,280)	(499,318)	(26,080)	(26,377)
		336,541	337,554	(26,080)	(26,377)
Dividends received		3,347	7,312	-	-
Interest received		182	764	-	-
Gaming tax paid		(51,828)	(51,375)	-	-
Income taxes paid		(60,633)	(17,120)	-	-
Net cash inflow / (outflow) from operating activities	35	227,609	277,135	(26,080)	(26,377)
Cash flows from investing activities					
Purchase of/proceeds from property, plant and equipment		(55,074)	(98,831)	-	-
Payments for intangible assets		(1,157)	(4,144)	-	-
Loan repayment from Christchurch Hotels Limited		1,220	8,069	-	-
Proceeds from sale of Cinemas	23	66,600	-	-	-
Dividend from subsidiaries		-	-	100,224	100,199
Payment to Minority Interest		-	(600)	-	-
Net cash inflow / (outflow) from investing activities		11,589	(95,506)	100,224	100,199
Cash flows from financing activities					
Share placement	22	-	223,360	-	223,360
Cash flows associated with derivatives	12	(30,926)	48,803	-	-
Repayment of borrowings		(254,377)	(129,000)	(76,817)	-
Advances from subsidiaries		-	-	97,397	(241,802)
Purchase of treasury shares	22	(1,340)	-	(1,340)	-
Distributions paid to company shareholders		(83,337)	(45,511)	(83,337)	(45,511)
Interest paid		(42,325)	(65,582)	(10,048)	(9,869)
Net cash (outflows)/inflows from financing activities		(412,305)	32,070	(74,145)	(73,822)
Net (decrease)/increase in cash and bank balances		(173,107)	213,699	(1)	-
Cash and bank balances at the beginning of the year		275,613	61,914	2	2
Cash and bank balances at the end of the year	9	102,506	275,613	1	2

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SKYCITY Entertainment Group Limited (SKYCITY or the company and its subsidiaries or the Group) operates in the gaming/entertainment, hotel and convention, hospitality, recreation, and tourism sectors. The Group has operations in New Zealand and Australia.

SKYCITY is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Federal House, 86 Federal Street, Auckland. The company is dual-listed on the New Zealand and Australian stock exchanges.

These financial statements have been approved for issue by the board of directors on 17 August 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ended 30 June 2010 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards.

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Compliance with IFRS

The separate and consolidated financial statements of SKYCITY also comply with International Financial Reporting Standards (IFRS).

Entities Reporting

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2010 and the results of all subsidiaries, joint ventures and associates for the year then ended.

The financial statements of the 'Parent' are for the company as a separate legal entity.

The Parent company and the Group are designated as profit-oriented entities for financial reporting purposes.

The Parent company has a negative net working capital balance. The Parent's subsidiaries will continue to support it as required. The Group has negative net working capital but has the ability to fully pay all debts as they fall due through cash generated from operating activities, existing funding facilities and/or the refinancing of existing facilities as necessary (refer note 17).

Statutory Base

SKYCITY is a company registered under the New Zealand Companies Act 1993 and is an issuer in terms of the Securities Act 1978 (New Zealand).

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 (New Zealand) and the Companies Act 1993.

Measurement Basis

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies. Judgement is used in the following areas: estimated impairment of goodwill, indefinite life casino licences and probability of utilisation of unused tax losses.

The Group tests annually whether goodwill and indefinite licences have suffered any impairment, in accordance with the accounting policy stated in note 2(i). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (refer note 14).

There is significant headroom between the value in use calculations and the carrying value of the remaining assets such that reasonably possible changes in the assumptions used would not result in an impairment.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(b) Principles of Consolidation

(i) *Subsidiaries*

Subsidiaries are all those entities (including special purpose entities) over which the company has the power to govern the financial and operating policies to obtain benefits generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are not consolidated from the date that control ceases.

The Group financial statements consolidate the financial statements of subsidiaries, using the acquisition method.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The consideration transferred in a business is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the acquirer. It includes any asset or liability arising from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Each identifiable asset and liability is generally measured at its acquisition date fair value except if an NZ IFRS requires another measurement basis. The excess of the consideration transferred over the Group's share of the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred is less than the acquisition date fair value of identifiable assets acquired and liabilities assumed, a gain is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Balance Sheet respectively.

Subsidiaries are accounted for at cost within the parent entity financial statements.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the differences between consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holdings of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses is recognised in the Income Statement and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Joint Ventures

The proportionate interests in the assets, liabilities and expenses of a jointly controlled operation have been incorporated in the financial statements under the appropriate headings.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operation decision maker. The chief operating decision maker has been identified as the Chief Executive Officer/Managing Director.

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the company's operations are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, which is the company's functional and the Group's presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

(iii) Foreign Operations

The results and financial position of foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency below:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue Recognition

Revenue is recognised as summarised below.

(i) Operating Revenue

Operating revenues include casino, hotel, food and beverage, convention centre, tower admissions and other revenues. Casino revenues represent the net win to the casino from gaming activities, being the difference between amounts wagered and amounts won by casino patrons.

Revenues exclude the retail value of rooms, food, beverage and other promotional allowances provided on a complimentary basis to customers.

(ii) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

(iii) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(iv) Loyalty Programme

A portion of revenue is allocated to the loyalty points scheme and is recognised when customers redeem their loyalty points.

(f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income, based on the income tax rate for each jurisdiction. This is then adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and changes in unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Goods and Services Tax (GST)

The Income Statement, Cash Flow Statement and Statement of Changes in Equity have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Leases

(i) The Group is the Lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) *The Group is the Lessor*

Assets leased to third parties under operating leases are included in property, plant and equipment in the Balance Sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

(i) **Impairment of Non Current Assets**

Goodwill and Intangible Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation (property, plant and equipment and intangibles that have a finite useful life) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) **Cash and Bank Balances**

Cash and bank balances include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(k) **Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of those receivables.

(l) **Inventories**

Inventories, all of which are finished goods, are stated at the lower of cost and net realisable value determined on a first in, first out basis.

(m) **Investments and Other Financial Assets**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. The company determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(i) **Financial Assets at Fair Value Through Profit or Loss**

This category has two sub categories: financial assets classified as held for trading and financial assets designated as at fair value through profit or loss on initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. The Group does not hold any assets that are designated as at fair value on initial recognition. Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the Balance Sheet.

(n) **Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of exposures to variability in cash flows associated with recognised assets or liabilities or highly probable forecast transactions (cash flow hedges).

NOTES TO THE FINANCIAL STATEMENTS

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At the inception of the transaction, SKYCITY documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the Income Statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the Income Statement when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the Income Statement.

(iii) Derivatives that do not qualify for Hedge Accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in the Income Statement.

(o) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as below:

- Buildings	5-75 years
- Building fit out	10 years
- Plant and equipment	2-75 years
- Vehicles	3 years
- Fixtures and fittings	3-20 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

(p) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Casino Licences

The casino licences that have a finite useful life are carried at cost less accumulated amortisation. Amortisation of these casino licences is calculated on a straight line basis so as to expense the cost of the licences over their legal life.

The casino licences that have been determined to have an indefinite useful life for amortisation purposes are not amortised but rather are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) *Acquired Software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to seven years).

(q) *Payables*

Payables are stated at fair value or estimated liability where accrued.

(r) *Borrowings*

Borrowings, including capital notes and the Group's Adjustable Coupon Exchangeable Securities (SKYCITY ACES), are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost unless part of an effective hedging relationship. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) *Borrowing Costs*

Borrowing costs are expensed, except for costs incurred for the construction of any qualifying asset which are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(t) *Employee Benefits*

(i) *Wages, Salaries and Annual Leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) *Share Based Payments*

SKYCITY operates an equity settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of the share rights or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share rights or shares granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share rights or shares that are expected to be distributed. At each balance sheet date, the entity revises its estimates of the number of shares expected to be distributed. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period.

(u) *Share Capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders.

(v) *Dividends*

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(w) *Earnings Per Share*

(i) *Basic Earnings Per Share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) *Diluted Earnings Per Share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) *Cash Flow Statement*

Cash flows associated with derivatives that are part of a hedging relationship are off-set against cash flows associated with the hedged item.

(y) *Standards, amendments and interpretations to existing standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods, but which the Group has not early adopted. These are:

- **NZ IFRS 9, Financial Instruments** (effective from annual periods beginning on or after 1 January 2013). This standard is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. This standard is not expected to significantly impact the Group.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

- **Improvements to NZ Equivalents to IFRS, Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project** (effective from annual periods beginning on or after 1 January 2010). The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.

(z) New Accounting Standards Adopted in the Year

Other than as referred to below, there have been no significant changes in accounting policies during the current period.

In the current year the cinemas business has been accounted for as a discontinued operation (note 23). As a result:

- The Income Statement has been adjusted (including 2009) to disclose the results of the cinemas business for eight months as a single line (2009 full year). Revenue and expenses are separately disclosed in note 23
- The 2009 Balance Sheet is not adjusted
- The Statement of Cash Flows includes the cinemas business, eight months in 2010 and a full year in 2009
- Income Statement and Balance Sheet notes are consistent with the relevant primary statement.

During the year the Group changed the following accounting policies:

(i) NZ IAS 1 (revised), Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is “non owner changes in equity”) in the statement of changes in equity, requiring these items to be presented separately from owner changes in equity. All “non owner changes in equity” are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The Group has elected to present two statements. The financial statements have been prepared under the revised disclosure requirements.

(ii) NZ IFRS 8, Operating segments

NZ IFRS 8 replaces NZ IAS 14 Segment Reporting. It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in one additional segment “Corporate / Group” which was previously reported within “Rest of New Zealand”.

(iii) NZ IFRS 7, Financial Instruments: Disclosures – Revisions

The revisions to NZ IFRS 7 have required additional information on the fair value of financial instruments.

(iv) NZ IAS 27 (revised), Consolidated and separate financial statements

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. As no transactions with non-controlling interests have occurred since adoption, the revision has no effect on the Group’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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3. REVENUE

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gaming	603,262	604,278	-	-
Non-gaming	166,675	157,988	-	-
	769,937	762,266	-	-

Non-gaming revenue includes revenues from hotels, food and beverage, convention centre, car parking, property rentals, Sky Tower, and other non-gaming activities.

Included within consolidated gaming revenue is revenue relating to loyalty action points of \$9,561,000 (30 June 2009: \$10,830,000).

Included within consolidated non-gaming revenue is revenue relating to loyalty action points of \$286,000 (30 June 2009: \$151,000).

4. OTHER INCOME

Net gain on disposal of property, plant and equipment	733	1,213	-	-
Interest income – Christchurch Hotels Limited	182	764	-	-
Dividend income	5	4	-	-
Dividends from wholly-owned entities	-	-	100,224	100,199
	920	1,981	100,224	100,199

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. EXPENSES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	22,932	19,283	-	-
Plant and equipment	31,284	32,839	1,977	1,688
Furniture and fittings	6,277	7,733	-	-
Motor vehicles	461	217	-	-
Total depreciation	60,954	60,072	1,977	1,688
Amortisation				
Casino licences (Adelaide)	2,621	2,576	-	-
Software	3,932	7,478	3,750	6,915
Total amortisation	6,553	10,054	3,750	6,915
Total depreciation and amortisation	67,507	70,126	5,727	8,603
Other expenses includes:				
Utilities, insurance and rates	19,212	18,971	93	75
Community Trust donations	2,839	2,730	-	-
Minimum lease payments relating to operating leases	4,269	4,681	-	-
Other property expenses	14,445	15,614	-	-
Other items	44,107	50,405	6,210	10,014
Provision for bad and doubtful debts	373	525	-	-
	85,245	92,926	6,303	10,089
Restructuring costs				
Redundancy and other payments	2,019	2,368	-	-
	2,019	2,368	-	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. EXPENSES (continued)**Auditors' fees**

During the year the following fees were paid or are payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) Assurance services				
<i>Audit services</i>				
PricewaterhouseCoopers				
Audit of Group financial statements	400	586	400	586
Audit of subsidiary financial statements	111	132	-	-
Half year review	80	138	80	138
Total remuneration for audit services	591	856	480	724
<i>Other assurance services provided by PricewaterhouseCoopers</i>				
Accounting advice and assistance	64	93	64	64
Systems assurance	25	95	-	95
Tax compliance services	93	70	40	35
Total remuneration for other assurance services	182	258	104	194
Total remuneration for assurance services	773	1,114	584	918
(b) Other services				
PricewaterhouseCoopers				
Taxation advisory services	411	564	195	265
Total remuneration for taxation services	411	564	195	265
Total fees paid or payable to auditors	1,184	1,678	779	1,183

The Group employs PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important and auditor independence is not impaired. These assignments are principally tax advice. For other work, the company's External Audit Independence Policy requires that advisers other than PricewaterhouseCoopers are engaged, unless otherwise approved by the Board's Audit and Risk Committee.

6. FINANCE COSTS – NET

<i>Finance costs</i>				
Interest and finance charges paid/payable	56,455	75,116	9,238	9,878
Exchange (gains)/losses on foreign currency borrowings	(2,653)	(884)	-	-
Interest income	(4,495)	(7,292)	-	-
Gain on repayment of USPP (note 17)	(1,919)	-	-	-
Total finance costs	47,388	66,940	9,238	9,878

NOTES TO THE FINANCIAL STATEMENTS

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7. INCOME TAX EXPENSE

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) Income Tax Expense				
Current tax	39,236	45,833	-	-
Deferred tax	45,895	(6,190)	-	-
Income tax expense	85,131	39,643	-	-
Deferred tax (note 20)				
Origination and reversal of temporary differences	6,195	(6,190)	-	-
Change in New Zealand corporate tax rate and building depreciation	39,700	-	-	-
Total deferred tax	45,895	(6,190)	-	-
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable				
Profit from continuing operations before income tax expense	173,508	156,876	58,743	54,824
Tax at the New Zealand tax rate of 30% (2009: 30%)	52,052	47,063	19,385	16,447
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Inter-company eliminations	-	-	10,368	13,296
Items not subject to tax	525	930	314	317
Australian investment allowance	(337)	(741)	-	-
Share of net profit of associates	(1,760)	(1,696)	-	-
Foreign exchange rate differences	(109)	(245)	-	-
Exempt dividends received	-	-	(30,067)	(30,060)
Share of partnership expenditure	(5,175)	(4,119)	-	-
Differences in overseas tax rates	-	(701)	-	-
Under provision in prior years	130	312	-	-
Write off tax losses	105	(1,160)	-	-
Tax Expense pre Government Budget changes	45,431	39,643	-	-
Change in New Zealand tax building depreciation	42,886	-	-	-
Change in New Zealand corporate tax rate	(3,186)	-	-	-
Tax Expense relating to Government Budget changes	39,700	-	-	-
Total Tax Expense	85,131	39,643	-	-

The weighted average applicable tax rate was 49.1% (26.2% excluding the impact of future change in corporate tax rate and building tax depreciation) (2009: 25.2%).

The New Zealand corporate tax rate will be reduced from 30% to 28% and tax depreciation for buildings with an estimated life of 50 or more years will be disallowed. Both of these changes are effective for the Group from 1 July 2011.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. EARNINGS PER SHARE

	CONSOLIDATED	
	2010 CENTS	2009 CENTS
Basic earnings per share		
Profit for the year before tax expense relating to Government Budget changes	24.6	23.4
Profit from continuing operations attributable to the ordinary equity holders of the company	15.4	23.7
Profit from discontinued operations	2.3	(0.3)
Profit attributable to the ordinary equity holders of the company	17.7	23.4
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	14.7	21.4
Profit from discontinued operations	2.1	(0.2)
Profit attributable to the ordinary equity holders of the company	16.8	21.2

(a) Reconciliations of Earnings used in calculating Earnings Per Share

Basic earnings per share		
Profit from continuing operations	88,377	117,233
Profit attributable to minority interests	157	(199)
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	88,534	117,034
Profit/(loss) from discontinued operations	13,491	(1,733)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	102,025	115,301
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	102,025	115,301
Interest savings on capital notes	-	9,882
Interest savings on SKYCITY ACES	8,033	9,914
In the money option/rights expense savings	-	422
Tax on the above	(2,410)	(6,065)
Profit from operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	107,648	129,454

None of the diluted earnings adjustments impact the discontinued operations.

(b) Weighted Average number of shares used as the denominator

	2010 NUMBER	2009 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	575,114,687	491,824,341
Adjustments for calculation of diluted earnings per share:		
Capital notes	-	46,216,418
SKYCITY ACES	65,648,028	70,831,563
Share rights and options	-	1,541,132
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	640,762,715	610,413,454

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. EARNINGS PER SHARE (continued)**(c) Information concerning the classification of Securities****(i) SKYCITY ACES**

SKYCITY ACES are considered to be potential ordinary shares and are included in the determination of diluted earnings per share from their date of issue if they are dilutive. The SKYCITY ACES have not been included in the determination of basic earnings per share. The SKYCITY ACES are dilutive in both 2010 and 2009 and are therefore included in the determination of diluted earnings per share. Details relating to the SKYCITY ACES are set out in note 19.

(ii) Share Rights and Options

Options and rights granted to employees under the SKYCITY Executive Share Option and Rights Plans are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. In 2010 share rights are not dilutive and are therefore not included in the determination of diluted earnings per share. The options and rights have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in note 29.

(iii) Capital Notes

Capital notes are considered to be potential ordinary shares and are included in the determination of diluted earnings per share from their date of issue if they are dilutive. The notes have not been included in the determination of basic earnings per share. In 2010 they are not dilutive and are therefore not included in the determination of diluted earnings per share. Details relating to the notes are set out in note 18.

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank	64,314	239,265	1	2
Cash in house	38,192	36,348	-	-
	102,506	275,613	1	2

The significant decrease in cash at bank relates to the proceeds from the share placement (note 22) in the prior year being used to partially repay debt (note 17).

10. RECEIVABLES AND PREPAYMENTS

Trade receivables	10,434	7,654	-	3
Advance to Christchurch Hotels Limited	6,429	7,649	-	-
Sundry receivables	3,152	4,923	39	282
Prepayments	3,166	3,038	1,621	1,138
Interest receivable	-	892	-	-
Amounts due from subsidiaries (note 30)	-	-	93,337	25,495
	23,181	24,156	94,997	26,918

There are no significant receivables past due date or impaired.

NOTES TO THE FINANCIAL STATEMENTS

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11. NET TAX RECEIVABLES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current tax receivables	18,255	17,922	-	-
Non-current tax receivables	25,141	5,707	-	-
Current tax liabilities	(7,100)	(9,154)	-	-
Net tax receivables	36,296	14,475	-	-

Tax is typically paid in advance to ensure the Group has positive imputation credits as at 31 March of each year.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	FAIR VALUE		NOTIONAL PRINCIPAL	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CONSOLIDATION				
Current assets				
Forward foreign exchange contracts – hedge of net investment of overseas subsidiaries	-	5,148	-	148,920
Interest rate swaps – fair value hedges	-	1,404	-	30,000
Total current derivative financial instrument assets	-	6,552	-	178,920
Non-current assets				
Interest rate swaps – cash flow hedges	-	15	-	31,025
Cross-currency interest rate swaps – cash flow hedges*	18,651	15,639	135,028	365,028
Cross-currency interest rate swaps – fair value hedges*	7,390	949	64,348	21,592
Total non-current derivative financial instrument assets	26,041	16,603	199,376	417,645
Current liabilities				
Forward foreign currency contracts	226	4,839	10,316	48,904
Interest rate swaps – cash flow hedges	70	590	92,103	31,025
Electricity CFD – cash flow hedges	227	244	-	-
Total current derivative financial instrument liabilities	523	5,673	102,419	79,929
Non-current liabilities				
Interest rate swaps – cash flow hedges	23,744	34,530	412,155	554,100
Cross-currency interest rate swaps – fair value hedges*	247	-	24,003	-
Total non-current derivative financial instrument liabilities	23,991	34,530	436,158	554,100

During the year, \$1,981,796 of gains (2009: \$3,505,693 losses) on hedges items were offset in the Income Statement by \$2,050,615 of losses (2009: \$3,551,622 gains) on derivatives in fair value hedging relationships.

There is no cash flow hedge ineffectiveness in either the current or prior year.

*These fair value amounts are net of collateral deposits received of nil (2009: \$48.8 million). When the fair value of the cross-currency interest rate swaps exceeds certain levels, a payment is received from (if the CCIRS is an asset) or made to (if the CCIRS is a liability) the counter-party.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

13. PROPERTY, PLANT AND EQUIPMENT

	LAND \$'000	BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	FIXTURES AND FITTINGS \$'000	MOTOR VEHICLES \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
CONSOLIDATED							
At 30 June 2008							
Cost	168,151	745,377	363,724	79,738	1,539	79,586	1,438,115
Accumulated depreciation	-	(137,349)	(250,795)	(57,571)	(1,185)	-	(446,900)
Net book value	168,151	608,028	112,929	22,167	354	79,586	991,215
Movements in the year ended							
30 June 2009							
Opening net book value	168,151	608,028	112,929	22,167	354	79,586	991,215
Exchange differences	(268)	(2,522)	(699)	(88)	(3)	(424)	(4,004)
Net additions	170	70,487	63,152	20,651	224	(54,302)	100,382
Transfers	7,650	1,195	-	-	-	-	8,845
Depreciation charge	-	(19,283)	(40,440)	(7,733)	(217)	-	(67,673)
Closing net book value	175,703	657,905	134,942	34,997	358	24,860	1,028,765
At 30 June 2009							
Cost	175,703	816,606	409,964	98,788	1,618	24,860	1,527,539
Accumulated depreciation	-	(158,701)	(275,022)	(63,791)	(1,260)	-	(498,774)
Net book value	175,703	657,905	134,942	34,997	358	24,860	1,028,765
Movements in the year ended							
30 June 2010							
Opening net book value	175,703	657,905	134,942	34,997	358	24,860	1,028,765
Exchange differences	(158)	(1,680)	(330)	(64)	(3)	(123)	(2,358)
Net additions	4,441	13,000	41,909	4,683	1,090	(7,982)	57,141
Discontinued operations	-	(13,305)	(56,110)	-	-	-	(69,415)
Depreciation charge	-	(22,932)	(31,284)	(6,277)	(461)	-	(60,954)
Closing net book value	179,986	632,988	89,127	33,339	984	16,755	953,179
At 30 June 2010							
Cost	179,986	809,872	361,350	103,794	2,243	16,755	1,474,000
Accumulated depreciation	-	(176,884)	(272,223)	(70,455)	(1,259)	-	(520,821)
Net book value	179,986	632,988	89,127	33,339	984	16,755	953,179

NOTES TO THE FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	PLANT AND EQUIPMENT \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
PARENT COMPANY			
At 30 June 2008			
Cost	21,058	2,004	23,062
Accumulated depreciation	(19,634)	-	(19,634)
Net book value	1,424	2,004	3,428
Movements in the year ended 30 June 2009			
Opening net book value	1,424	2,004	3,428
Net additions	834	2,400	3,234
Depreciation charge	(1,688)	-	(1,688)
Closing net book value	570	4,404	4,974
At 30 June 2009			
Cost	21,061	4,404	25,465
Accumulated depreciation	(20,491)	-	(20,491)
Net book value	570	4,404	4,974
Movements in the year ended 30 June 2010			
Opening net book value	570	4,404	4,974
Net additions	6,014	(1,749)	4,265
Depreciation charge	(1,977)	-	(1,977)
Closing net book value	4,607	2,655	7,262
At 30 June 2010			
Cost	28,171	2,655	30,826
Accumulated depreciation	(23,564)	-	(23,564)
Net book value	4,607	2,655	7,262

No borrowing costs have been capitalised in the current year (2009: Darwin Stage One development \$1,963,799 using the Group's weighted average cost of debt).

A memorandum of encumbrance is registered against the title of land for the Auckland casino in favour of Auckland City Council. Auckland City Council requires prior written consent before any transfer, assignment or disposition of the land. The intent of the covenant is to protect the Council's rights under the resource consent, relating to the provision of the bus terminus, public car park and the provision of public footpaths around the complex.

A further encumbrance records the Council's interest in relation to the sub-soil areas under Federal and Hobson Streets used by SKYCITY as car parking and a vehicle tunnel. The encumbrance is to notify any transferee of the Council's interest as lessor of the sub-soil areas.

The SKYCITY Hamilton site is subject to the normal rights that the Crown reserves in respect of minerals and mining in relation to the sub-soil areas. The land title is subject to Section 27B of the State Owned Enterprises Act 1986 which does not provide for the owner of the land to be heard in relation to any recommendations of the Waitangi Tribunal for the resumption of the land. At balance date the company was not aware of any matters pertaining to the land under the State Owned Enterprises Act 1986. Drainage rights have been granted over parts of the land appurtenant to Lot 2 Plan 5.23789 (CT22C/1428). There is also a right of way granted over part of Lot 1 and part of Lot 2 DP580554.

NOTES TO THE FINANCIAL STATEMENTS

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14. INTANGIBLE ASSETS

	GOODWILL \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	TOTAL \$'000
CONSOLIDATED				
At 30 June 2008				
Cost	155,249	268,744	52,927	476,920
Accumulated amortisation	-	(25,014)	(33,374)	(58,388)
Net book amount	155,249	243,730	19,553	418,532
Movements in the year ended 30 June 2009				
Opening net book amount	155,249	243,730	19,553	418,532
Exchange differences	(2,075)	(4,259)	(14)	(6,348)
Additions	-	-	4,144	4,144
Amortisation charge	-	(2,576)	(7,478)	(10,054)
Closing net book amount	153,174	236,895	16,205	406,274
At 30 June 2009				
Cost	153,174	264,075	57,008	474,257
Accumulated amortisation	-	(27,180)	(40,803)	(67,983)
Net book amount	153,174	236,895	16,205	406,274
Movements in the year ended 30 June 2010				
Opening net book amount	153,174	236,895	16,205	406,274
Exchange differences	(1,225)	(2,424)	(3)	(3,652)
Additions	-	-	1,441	1,441
Discontinued operations	-	-	(284)	(284)
Amortisation charge	-	(2,621)	(3,932)	(6,553)
Closing net book amount	151,949	231,850	13,427	397,226
At 30 June 2010				
Cost	151,949	261,318	58,153	471,420
Accumulated amortisation	-	(29,468)	(44,726)	(74,194)
Net book amount	151,949	231,850	13,427	397,226

Casino Licence Contract Term

Darwin The casino and associated operations are carried out by SKYCITY Darwin under a casino licence/operator agreement (the Casino Operator's Agreement) with the NT Government. The current licence term was set in 2006 for a 20 year period until 2026. The COA is subject to extension for a further 5 years once its period to maturity reaches 15 years. The next licence extension date is 2011, at which time the licence term can be extended to 2031. These licence extensions apply on a continuing five year basis so that, subject to certain criteria being met, the licence period is never less than 15 years.

Adelaide The casino and associated operations are carried out by SKYCITY Adelaide under a casino licence (the Approved Licensing Agreement) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The casino licence includes an exclusive operating period which contractually ends 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

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14. INTANGIBLE ASSETS (continued)

	COMPUTER SOFTWARE \$'000	TOTAL \$'000
PARENT COMPANY		
At 30 June 2008		
Cost	45,857	45,857
Accumulated amortisation	(27,095)	(27,095)
Net book amount	18,762	18,762
Movements in the year ended 30 June 2009		
Opening net book amount	18,762	18,762
Additions	3,763	3,763
Amortisation charge	(6,915)	(6,915)
Closing net book amount	15,610	15,610
At 30 June 2009		
Cost	49,620	49,620
Accumulated amortisation	(34,010)	(34,010)
Net book amount	15,610	15,610
Movements in the year ended 30 June 2010		
Opening net book amount	15,610	15,610
Additions	1,193	1,193
Amortisation charge	(3,750)	(3,750)
Closing net book amount	13,053	13,053
At 30 June 2010		
Cost	50,813	50,813
Accumulated amortisation	(37,760)	(37,760)
Net book amount	13,053	13,053

(a) Impairment Tests for Intangibles with Indefinite Lives

Goodwill and licences with indefinite lives are allocated to the Group's cash generating units (CGU's) identified below.

	SKYCITY HAMILTON* \$'000	SKYCITY DARWIN \$'000	TOTAL \$'000
2010			
Goodwill	35,786	116,163	151,949
Casino Licence	-	38,968	38,968
	35,786	155,131	190,917
2009			
Goodwill	35,786	117,388	153,174
Casino Licence	-	39,379	39,379
	35,786	156,767	192,553

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections approved by directors covering a three year period. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates. There is a surplus between the carrying values of indefinite life assets and value in use calculations.

*SKYCITY Hamilton is included within the "Rest of New Zealand" segment in note 28.

NOTES TO THE FINANCIAL STATEMENTS

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14. INTANGIBLE ASSETS (continued)

(b) Key Assumptions used for Value in Use Calculations of Cash Generating Units

	EBITDA MARGIN		GROWTH RATE		DISCOUNT RATE	
	2010 %	2009 %	2010 %	2009 %	2010 %	2009 %
SKYCITY Hamilton	43.1	46.1	2.0	2.5	10.0	10.0
SKYCITY Darwin	31.5	36.4	2.0	2.5	10.0	10.0

These assumptions are consistent with past experience adjusted for economic indicators. The discount rates are pre-tax and reflect specific risks relating to the relevant operating segment.

The company does not expect a reasonably possible change in key assumptions would reduce recoverable amount below carrying amount.

15. INVESTMENTS IN ASSOCIATES

(a) Carrying Amounts

Information relating to associates is set out below.

NAME OF COMPANY	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST		CONSOLIDATED		PARENT	
		2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>Unlisted</i>							
Vista Entertainment Solutions Limited	Cinema ticket software systems	-	50.0	-	3,614	-	-
Christchurch Casinos Limited Group	Casino operator	45.7	45.7	83,549	81,023	-	-
				83,549	84,637	-	-

As part of the Cinemas disposal, SKYCITY sold its investment in Vista Entertainment Solutions Limited.

Christchurch Casinos Limited Group (CCL) is incorporated in New Zealand and has a 31 March balance date. The directors are not aware of any significant events or transactions since CCL's 31 March 2010 balance date that relate to the carrying value of SKYCITY's ownership interest that should be recorded in these accounts. Included within CCL's carrying value is goodwill of approximately \$53 million.

(b) Movements in carrying amounts

	2010 \$'000	2009 \$'000
Balance at the beginning of the year	84,637	84,008
Share of profits after income tax	5,868	6,913
Transfer from Available for Sale Financial Assets	-	1,022
Dividends received/receivable	(3,342)	(7,306)
Disposal (note 23)	(3,614)	-
Balance at 30 June	83,549	84,637

(c) Summarised financial information of associates

	GROUP'S SHARE OF:			
	ASSETS \$'000	LIABILITIES \$'000	REVENUES \$'000	PROFIT \$'000
2010				
Christchurch Casinos Limited Group	18,277	2,071	19,066	3,969
	18,277	2,071	19,066	3,969
2009				
Christchurch Casinos Limited Group	20,886	2,620	20,431	4,172
	20,886	2,620	20,431	4,172

The above are based on SKYCITY's direct equity interest in Christchurch Casinos Limited of 30.7%.

NOTES TO THE FINANCIAL STATEMENTS

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16. PAYABLES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables	13,901	17,835	-	-
Lease incentives and deferred income	2,757	10,984	-	-
Accrued expenses	52,579	46,475	5,361	6,334
Employee benefits	32,563	35,049	-	-
Amounts due to subsidiaries (note 30)	-	-	224,857	104,434
	101,800	110,343	230,218	110,768

17. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES**Unsecured**

United States Private Placement	418,313	612,284	-	-
Syndicated bank facility	-	-	-	-
Deferred funding expenses	(1,187)	(2,104)	-	-
Total unsecured non-current interest bearing borrowings	417,126	610,180	-	-

(a) United States Private Placement (USPP)

On 15 March 2005 SKYCITY borrowed NZ\$96,571,000, A\$74,900,000 and US\$274,500,000 with maturities between 2012 and 2020 from private investors (primarily US based) on an unsecured basis.

The USPP fixed rate US dollar borrowings have been converted to New Zealand dollar floating rate borrowings by use of cross currency interest rate swaps to eliminate foreign exchange exposure within the Income Statement.

The offsetting value of the cross currency interest rate swap as at 30 June 2010 is included within derivative financial instruments in note 12.

In July and August 2009, the Group repurchased USD115,500,000 of USPP debt. All repurchased debt was previously maturing in March 2012. Concurrent with the debt repurchase, all cross currency interest rate swaps and interest rate swaps hedging the relevant debt were closed out resulting in a gain of \$1,919,000 (note 6).

The movement in the USPP from 30 June 2009 relates to repayments and foreign exchange and interest rate movements.

(b) Syndicated Bank Facility

At 30 June 2010, SKYCITY had in place a \$500,000,000 (2009: \$500,000,000) facility on an unsecured, negative pledge basis maturing April 2011. The funding syndicate is comprised of ANZ National Bank Limited, Bank of New Zealand Limited and Commonwealth Bank of Australia, New Zealand Branch. As at 30 June 2010, the amount drawn on this facility was nil (2009: nil).

(c) Fair values

The fair value of the USPP is approximately \$31 million (2009: \$44 million) more than the carrying value. Fair value has been determined on a discounted cash flow basis using current market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

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18. SUBORDINATED DEBT – CAPITAL NOTES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at the beginning of the year	125,263	123,841	123,860	123,860
Matured during the year	(76,817)	–	(76,817)	–
Partial revaluation	(1,403)	1,422	–	–
Balance at the end of the year	47,043	125,263	47,043	123,860
Deferred expense	(13)	(33)	(13)	(33)
Net capital notes at the end of the year	47,030	125,230	47,030	123,827

In May 2010, the capital notes were renewed for a new term of five years to 15 May 2015. The notes were reissued on the same terms and conditions except at a lower interest rate of 7.25% (previously 8.0%).

Prior to the next election date (15 May 2015), the company will notify holders of the proportion of their capital notes it will redeem (if any) and, if applicable, the new conditions (including as to interest rate, interest dates, new election date, and other modifications to the existing conditions) that will apply to the capital notes from the election date. Holders may then choose either to retain some or all of their capital notes on the new terms, and/or to convert some or all of their capital notes into SKYCITY ordinary shares. The company may elect to redeem or purchase some or all of the capital notes that holders have elected to convert, at an amount equal to the principal amount plus any accrued but unpaid interest.

If capital notes are converted, holders will receive ordinary shares equal in value to the aggregate of the principal amount of the notes plus any accrued but unpaid interest. The value of the shares is determined on the basis of 95% of the weighted average sale price of a SKYCITY ordinary share on the New Zealand stock exchange during the 15 trading days prior to the election dates.

The capital notes do not carry voting rights. Capital noteholders are not entitled to any distributions made by SKYCITY in respect of its ordinary shares prior to the conversion date of the capital notes and do not participate in any change in value of SKYCITY's issued shares.

As at 30 June 2010, there were 150,000,000 (2009: 150,000,000) capital notes on issue, of which 102,957,500 (2009: 26,140,250) are held as treasury stock by the company.

The capital notes are listed on the NZX. As at 30 June 2010 the closing price was \$1.0078 per \$1 note (2009: \$1.0061). The capital notes are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

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19. SUBORDINATED DEBT – SKYCITY ACES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
SKYCITY ACES	184,207	186,150	-	-
Deferred expenses	(401)	(1,633)	-	-
	183,806	184,517	-	-

In October 2005, SKYCITY Investments Australia Limited issued in Australia 1.5 million unsecured subordinated perpetual reset exchangeable securities (SKYCITY ACES) at an issue price of A\$100.00 per note. The SKYCITY ACES offer holders a fully franked variable rate coupon until the first reset date of 15 December 2010. The coupon is reset quarterly at the Australian 90 day bank bill rate (BBSW) plus 2.25%, net of the Australian corporate tax rate (30%) with franking credits attached.

On any reset date (the first being 15 December 2010 and every five years thereafter), SKYCITY may elect to exchange or redeem the SKYCITY ACES or change the coupon rate and certain other terms. The holder can request exchange of the SKYCITY ACES at any reset date. If the holder requests exchange SKYCITY may elect to exchange for ordinary shares or redeem or repurchase for cash.

Coupons are payable unless the directors of the issuer determine that a coupon not be paid. If a coupon is not paid, the holder has no right to receive that coupon, as coupons are non-cumulative. However, if a coupon is not paid, SKYCITY will be prohibited from paying dividends on its ordinary shares until certain conditions are satisfied.

SKYCITY ACES do not carry voting rights and holders are not entitled to any distributions made by SKYCITY in respect of its ordinary shares prior to exchange. There is a minimum exchange ratio which means that a SKYCITY ACES holder would participate in any increase in the SKYCITY ordinary share price above A\$7.40.

The movement in the SKYCITY ACES debt from 2009 relates to foreign exchange movements and is offset by changes in the foreign currency translation reserve so that there is no foreign exchange impact on the Income Statement. The A\$150 million was converted at an exchange rate of 0.8143 (2009: 0.8058).

SKYCITY ACES are listed on the ASX. As at 30 June 2010 the closing price was A\$98.60 per A\$100 note (2009: A\$91.50). The SKYCITY ACES are carried at amortised cost translated at the closing NZD/AUD exchange rate.

NOTES TO THE FINANCIAL STATEMENTS

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20. DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:				
Prepayments and receivables	364	481	-	-
Provision and accruals	(11,970)	(13,657)	-	-
Depreciation	100,000	57,589	-	-
Foreign exchange differences	9,406	5,343	-	-
Tax losses	(2,299)	-	-	-
Other	76	(20)	-	-
Cash flow hedges	(230)	(1,376)	-	-
Net deferred tax liabilities	95,347	48,360	-	-
Movements:				
Balance at the beginning of the year	48,360	66,183	-	-
Charged to the Income Statement (note 7)	6,203	(6,190)	-	-
Charged to the Income Statement via discontinued operations	679	(253)	-	-
Debited to equity	438	(9,796)	-	-
Change in New Zealand corporate tax rate and building depreciation	39,700	-	-	-
Foreign exchange differences	(33)	(1,584)	-	-
Closing balance at 30 June	95,347	48,360	-	-
Within 12 months	3,313	(13,563)	-	-
In excess of 12 months	92,034	61,923	-	-
	95,347	48,360	-	-

The Group has not recognised deferred tax assets of \$1.7 million (2009: \$5.3 million) in respect of losses that can be carried forward against future taxable income.

21. IMPUTATION CREDITS (New Zealand)

	CONSOLIDATION	
	2010 \$'000	2009 \$'000
Balance at the beginning of the year	(12,131)	(4,182)
Tax payments, net of refunds	32,907	5,498
Credits attached to dividends/distributions paid	(27,686)	(13,695)
Credits attached to dividends received	650	248
Balance at end of year	(6,260)	(12,131)
Imputation credits available directly and indirectly to shareholders of the parent company, through:		
Parent company	(7,183)	(11,954)
Subsidiaries	923	(177)
Balance at end of year	(6,260)	(12,131)

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2010.

NOTES TO THE FINANCIAL STATEMENTS

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22. SHARE CAPITAL

	2010 SHARES	2009 SHARES	2010 \$'000	2009 \$'000
Opening balance of ordinary shares issued	575,114,687	471,399,291	733,085	460,779
Shares issued under Profit Distribution Plan	-	30,746,809	-	92,292
Share rights issued for employee services	-	-	895	706
CEO commencement Convertible Rights	200,000	-	-	-
Employee share entitlements issued	68,502	296,682	270	1,459
Movement in treasury shares	(268,502)	(296,682)	(1,340)	-
Buyback and cancellation of shares under Profit Distribution Plan	-	(14,503,726)	-	(45,511)
Share placement	-	87,472,313	-	223,360
Ending balance of ordinary shares issued	575,114,687	575,114,687	732,910	733,085

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

Included within the number of shares is treasury shares 1,046,800 (2009: 903,184) held by the company. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans and purchases of shares by an external trustee as part of the new executive long term incentive plan (refer note 29). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

Share placement

During the prior year the company undertook an institutional share placement, a share purchase plan and a top up offer. As a result the company issued 87,472,313 new shares at \$2.61 per share raising \$228,303,000. Costs incurred associated with the issue of these shares of \$4,943,000 (including brokerage and legal and other fees) were reduced from the share proceeds.

23. DISCONTINUED OPERATIONS**(a) Description**

During December 2009 the Group announced its intention to sell its Cinemas business. The Cinemas business (excluding New Zealand freehold land and the equity investment in Vista Entertainment Solutions Limited) was sold to Amalgamated Holdings Limited effective 18 February 2010. The equity investment in Vista Entertainment Solutions Limited was sold to InVista Holdings Limited effective 26 March 2010. Accordingly the Cinemas business is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Revenue	61,130	76,629
Expenses	(56,352)	(78,077)
Profit/(loss) before income tax	4,778	(1,448)
Income tax expense	(1,632)	(285)
Profit/(loss) after income tax of discontinued operations	3,146	(1,733)
Gain on sale before income tax	7,184	-
Income tax benefit	3,161	-
Gain on sale after income tax	10,345	-
Profit from discontinued operations	13,491	(1,733)
Cash flow:		
Net cash inflow from operating activities	12,073	2,811
Net cash inflow (outflow) from investing activities	(2,417)	(11,407)
Net cash (outflow) from financing activities	-	(7)
Net increase in cash generated by discontinued operations	9,656	(8,603)

NOTES TO THE FINANCIAL STATEMENTS

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24. RESERVES AND RETAINED PROFITS/(LOSSES)

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) Reserves				
Hedging reserve – cash flow hedges	(2,740)	(8,753)	–	–
Foreign currency translation reserve	10,625	17,440	–	–
Employee share entitlement reserve	–	349	–	349
	7,885	9,036	–	349
Hedging reserve – cash flow hedges				
Balance at the beginning of the year	(8,753)	13,258	–	–
Revaluation	(26,707)	14,785	–	–
Transfer to net profit	35,283	(46,592)	–	–
Deferred tax	(2,563)	9,796	–	–
Balance at 30 June	(2,740)	(8,753)	–	–
Foreign currency translation reserve				
Balance at the beginning of the year	17,440	18,677	–	–
Exchange difference on translation of overseas subsidiaries	(5,960)	(5,418)	–	–
Effect of hedging the net investment of overseas subsidiaries	(855)	4,181	–	–
Balance at 30 June	10,625	17,440	–	–
Employee Share Entitlement Reserve				
Balance at the beginning of the year	349	2,058	349	2,058
Shares issued during the year	(270)	(1,459)	(270)	(1,459)
Share entitlements for the year	(79)	(250)	(79)	(250)
Balance at 30 June	–	349	–	349

(i) Hedging Reserve – Cash Flow Hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2(n). Amounts are recognised in the Income Statement when the associated hedged transaction affects the Income Statement.

(ii) Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 2(d). The reserve is recognised in the Income Statement when the net investment is disposed of.

(iii) Employee Share Entitlement Reserve

Under the SKYCITY Performance Pay Incentive Plan (PPI), selected employees have been eligible for performance related bonuses in respect of each of the financial years ended 30 June 2000 through 30 June 2008.

Shares under the PPI for the year ended 30 June 2007 and before are issued in three equal instalments, being one third of the shares on the bonus declaration date and, provided eligibility criteria continue to be met, one third on the next entitlement date (approximately 12 months later) and one third on the final entitlement date (approximately 24 months later).

Shares under the PPI for the year ended 30 June 2008 were issued on the bonus declaration date (October 2008).

From 1 July 2008 the PPI terms were changed to become a cash bonus scheme.

NOTES TO THE FINANCIAL STATEMENTS

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24. RESERVES AND RETAINED PROFITS/(LOSSES) (continued)**(b) Retained Profits/(Losses)**

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at the beginning of the year	(1,291)	(24,300)	(251,476)	(214,008)
Net profit/(loss) for the year	102,025	115,301	58,743	54,824
Distributions/dividends	(83,337)	(92,292)	(83,337)	(92,292)
Balance at the end of the year	17,397	(1,291)	(276,070)	(251,476)

25. MINORITY INTEREST

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Balance at the beginning of the year	1,482	1,883
Share of (deficit)/surpluses of subsidiaries	(157)	199
Repayment of share capital of Queenstown Casinos Limited	-	(600)
Balance at the end of the year	1,325	1,482

The minority interest relates to the 40% of Queenstown Casinos Limited which is not owned by SKYCITY.

26. DISTRIBUTIONS/DIVIDENDS

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Prior year final distribution/dividend	37,328	49,434	37,328	49,434
Current year interim distribution/dividend	46,009	42,858	46,009	42,858
Total dividends provided for or paid	83,337	92,292	83,337	92,292
Prior year final distribution/dividend (per share)	6.5¢	10.5¢	6.5¢	10.5¢
Current year interim distribution/dividend (per share)	8.0¢	9.0¢	8.0¢	9.0¢

On 16 August 2010, the directors resolved to declare a final dividend of 9.25 cents per share in respect of the year ended 30 June 2010 (refer to note 36 for further details).

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risks (interest rate, currency and electricity price), liquidity risk, and credit risk. The Group's overall risk management programme recognises the nature of these risks and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under a formal Treasury Policy approved annually by the board of directors. Treasury policy sets out written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds. The Treasury Policy sets conservative limits for allowable risk exposures which are formally reviewed at least annually.

(a) Market Risk**(i) Currency Risk**

The Group operates internationally and is exposed to currency risk, primarily with respect to Australian and US dollars. Exposure to the Australian dollar arises from the Group's net investment in its Australian operations. Exposure to the US dollar arises from funding denominated in that currency.

The Group utilises natural hedges wherever possible (i.e. Australian dollar funding is used to partially hedge the net investment in Australian operations) with forward foreign exchange contracts used to manage any significant residual risk to the Income Statement.

The Group's exposure to the US dollar (refer to US dollar US Private Placement debt detailed in note 17) has been fully hedged by way of cross-currency interest rate swaps (CCIRS), hedging US dollar exposure on both principal and interest. The CCIRS correspond in amount and maturity to the US dollar borrowings with no residual US dollar exposure.

Movement in exchange rates will have no impact on the parent accounts as there are no currency exposures in that entity.

(ii) Interest Rate Risk

The Group's interest rate exposures arise from long term borrowings.

Interest rate swaps (IRS) and CCIRS are utilised to modify the interest repricing profile of the Group's debt to match the profile required by Treasury Policy. All IRS and CCIRS are in designated hedging relationships that are highly effective.

As the Group has no significant interest bearing assets, the Group's revenue is substantially independent of changes in market interest rates.

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate.

	%	PRINCIPAL – INTEREST RATE REPRICING						TOTAL \$'000
		1 YEAR OR LESS \$'000	1 – 2 YEARS \$'000	2 – 3 YEARS \$'000	3 – 4 YEARS \$'000	4 – 5 YEARS \$'000	OVER 5 YEARS \$'000	
2010								
Cash and deposits	2.70	64,314	–	–	–	–	–	64,314
Advance to Christchurch Hotels	2.93	6,429	–	–	–	–	–	6,429
Bank borrowings	–	–	–	–	–	–	–	–
US Private Placement	5.18	(188,843)	(122,673)	–	–	(67,831)	(38,966)	(418,313)
Capital notes (NZ)	7.25	–	–	–	–	(47,043)	–	(47,043)
SKYCITY ACES (Aust)	5.01	(184,207)	–	–	–	–	–	(184,207)
IRS/CCIRS*		157,335	122,673	(115,421)	–	(88,561)	(76,026)	–
		(144,972)	–	(115,421)	–	(203,435)	(114,992)	(578,820)
Weighted average debt interest rate	7.28%							

* Interest rate swaps and cross currency interest rate swaps, notional principal amounts.

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT (continued)

	%	PRINCIPAL – INTEREST RATE REPRICING						TOTAL \$'000
		1 YEAR OR LESS \$'000	1 – 2 YEARS \$'000	2 – 3 YEARS \$'000	3 – 4 YEARS \$'000	4 – 5 YEARS \$'000	OVER 5 YEARS \$'000	
2009								
Cash and deposits	3.52	239,264	–	–	–	–	–	239,264
Advance to Christchurch Hotels	2.78	7,649	–	–	–	–	–	7,649
US Private Placement	5.23	(189,522)	–	(309,317)	–	–	(113,445)	(612,284)
Capital notes (NZ)	8.00	(123,860)	–	–	–	–	–	(123,860)
SKYCITY ACES (Aust)	3.76	(186,150)	–	–	–	–	–	(186,150)
IRS/CCIRS*		164,306	(31,025)	16,759	–	–	(150,040)	–
		(88,313)	(31,025)	(292,558)	–	–	(263,485)	(675,381)

Weighted average debt interest rate 6.78%

* Interest rate swaps and cross-currency interest rate swaps, notional principal amounts.

For both 2010 and 2009 capital notes are the only interest bearing debt within the parent entity. The parent entity is not party to any derivatives.

(iii) Electricity Price Risk

SKYCITY has in place one electricity derivative (Contract For Differences) for approximately 80% of SKYCITY Auckland's electricity consumption (2009: one contract) hedging an electricity supply contract at spot (floating) price. The CFD is a designated cash flow hedge with 100% effectiveness, fixing the electricity price until 31 December 2010.

Changes in the spot price of electricity will not impact on the Income Statement. Changes in fair value of the CFD will be reflected in Equity (Cash Flow Hedge Reserve) until released to the Income Statement to offset variability in the spot electricity price.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk. The sensitivity analysis considers reasonably possible changes in each risk with all other variables held constant, taking into account all underlying exposures and related hedges at the reporting date. The impact calculated is based on a full year impact of each change. Sensitivities have been selected based on the current level of interest rates and exchange rates, volatility observed on an historical basis and market expectations for future movements.

	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-100BPS		+100BPS		-5%		+5%	
	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000
CONSOLIDATED								
30 June 2010								
NZD/AUD movements	–	–	–	–	(650)	15,590	588	(14,105)
NZ interest rate movement	(100)	(9,489)	100	8,813	–	–	–	–
Australian interest rate movement	726	(4,279)	(726)	4,062	–	–	–	–
Total increase/(decrease)	626	(13,768)	(626)	12,875	(650)	15,590	588	(14,105)
30 June 2009								
NZD/AUD movements	–	–	–	–	1,223	8,164	(1,106)	(7,387)
NZ interest rate movement	(1,010)	(11,716)	1,010	11,124	–	–	–	–
Australian interest rate movement	785	(4,603)	(785)	4,313	–	–	–	–
Total increase/(decrease)	(225)	(16,319)	225	15,437	1,223	8,164	(1,106)	(7,387)

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT (continued)**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its financial obligations. SKYCITY is largely a cash based business and its material credit risks arise mainly from financial instruments utilised in funding and International Business play.

Financial instruments (other than International Business discussed below) that potentially create a credit exposure can only be entered into with counterparties that are explicitly approved by the board. Maximum credit limits for each of these parties are approved on the basis of long-term credit rating (Standard and Poor's or Moody's). A minimum long-term rating of A+ (S&P) or A1 (Moody's) is required to approve individual counterparties.

The maximum credit risk of any financial instrument at any time is the fair value where that instrument is an asset. All derivatives are carried at fair value in the balance sheet. Trade receivables are presented net of an allowance for estimated doubtful receivables.

International players are managed in accordance with accepted industry practise. Settlement risk associated with international players is minimised through credit checking and a formal review and approval process.

There are no significant concentrations of credit risk in the Group.

(c) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of unutilised committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties and maturities.

Maturities of Committed Funding Facilities

The tables below analyse the Group's maturity profile of committed funding. The bank facility of \$500 million is not drawn down as at 30 June 2010 (2009: nil drawn down).

	LESS THAN 6 MONTHS \$'000	6 - 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 3 YEARS \$'000	BETWEEN 3 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL FACILITY \$'000
CONSOLIDATED							
At 30 June 2010							
Bank facility	-	500,000	-	-	-	-	500,000
Capital notes	-	-	-	-	47,043	-	47,043
SKYCITY ACES	184,207	-	-	-	-	-	184,207
US Private Placement	-	-	262,219	-	96,000	60,094	418,313
Total debt facilities	184,207	500,000	262,219	-	143,043	60,094	1,149,563
Payables	101,800	-	-	-	-	-	101,800
Total drawn debt	184,207	-	262,219	-	143,043	60,094	649,563
Future contracted interest on drawn debt	15,872	12,679	21,347	11,548	21,204	8,148	90,798
Future contracted interest on CCIRS/IRS	4,408	4,183	7,427	5,131	9,578	4,576	35,303
At 30 June 2009							
Bank facility	-	-	500,000	-	-	-	500,000
Capital notes	-	123,860	-	-	-	-	123,860
SKYCITY ACES	-	-	186,150	-	-	-	186,150
US Private Placement	-	-	-	449,543	-	162,741	612,284
Total debt facilities	-	123,860	686,150	449,543	-	162,741	1,422,294
Payables	110,343	-	-	-	-	-	110,343
Total drawn debt	-	123,860	186,150	449,543	-	162,741	922,294
Future contracted interest on drawn debt	23,295	22,005	33,098	23,749	16,739	14,962	133,848
Future contracted interest on CCIRS/IRS	6,298	6,228	13,112	11,245	13,365	10,359	60,607

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL RISK MANAGEMENT (continued)**(d) Fair value estimation**

Effective 1 July 2009, the Group adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL BALANCE \$'000
CONSOLIDATED				
At 30 June 2010				
Assets				
Derivatives used for hedging	-	26,041	-	26,041
Total assets	-	26,041	-	26,041
Liabilities				
Financial liabilities at fair value through profit or loss				
- FX forward contracts	-	226	-	226
Derivatives used for hedging	-	24,288	-	24,288
Total liabilities	-	24,514	-	24,514
At 30 June 2009				
Assets				
Derivatives used for hedging	-	23,155	-	23,155
Total assets	-	23,155	-	23,155
Liabilities				
Financial liabilities at fair value through profit or loss				
- FX forward contracts	-	4,839	-	4,839
Derivatives used for hedging	-	35,364	-	35,364
Total liabilities	-	40,203	-	40,203

Further details on derivatives is provided in note 12.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analyses, are used to determine fair value for the remaining financial instruments.

The parent company does not have any financial instruments measured in the balance sheet at fair value.

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27. FINANCIAL RISK MANAGEMENT (continued)**(e) Financial instruments by category**

	LOANS AND RECEIVABLES \$'000	ASSETS / (LIABILITIES) AT FAIR VALUE THROUGH THE INCOME STATEMENT \$'000	DERIVATIVES USED FOR HEDGING \$'000	LIABILITIES AT AMORTISED COST \$'000
CONSOLIDATED				
At 30 June 2010				
Cash and bank balances	102,706	-	-	-
Trade receivables	10,435	-	-	-
Advance to Christchurch Hotels Limited	6,429	-	-	-
Derivative financial instruments	-	(226)	1,753	-
Interest-bearing liabilities	-	-	-	(417,126)
Capital notes	-	-	-	(47,030)
SKYCITY ACES	-	-	-	(183,880)
	119,570	(226)	1,753	(648,036)
At 30 June 2009				
Cash and bank balances	275,613	-	-	-
Trade receivables	7,654	-	-	-
Advance to Christchurch Hotels Limited	7,649	-	-	-
Derivative financial instruments	-	(4,839)	(12,209)	-
Interest-bearing liabilities	-	-	-	(610,180)
Capital notes	-	-	-	(125,230)
SKYCITY ACES	-	-	-	(184,517)
	290,916	(4,839)	(12,209)	(919,927)

(f) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise returns for shareholders and benefits for other stakeholders over the long term.

In order to optimise its capital structure, the Group manages actual and forecast operational cash flows, capital expenditure and equity distributions.

The Group primarily manages capital on the basis of gearing ratios measured on the basis of net debt to EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and interest coverage (EBITDA relative to net interest cost). As a secondary measure, gearing is also monitored on the basis of net debt to enterprise value (debt plus market capitalisation).

The primary ratios were as follows at 30 June

	2010	2009
Net debt to EBITDA	2.0 x	2.3 x
Interest coverage	5.7 x	4.4 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing as at 30 June 2010 was within covenant limits on funding facilities.

Although both the New Zealand capital notes and the Australian SKYCITY ACES include the right for SKYCITY to convert them to equity they are both treated as debt for capital management and financial reporting purposes.

The Group does not have any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

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28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer/Managing Director that are used to make strategic decisions.

Segment information excludes discontinued operations (Cinemas) which were previously part of the "Rest of New Zealand" segment.

The Group is organised into the following main operating segments:

SKYCITY Auckland

SKYCITY Auckland includes casino operations, hotels and convention, food and beverage, carparking and Sky Tower and a number of other related activities.

Rest of New Zealand

Rest of New Zealand includes the Group's interest in SKYCITY Hamilton, SKYCITY Queenstown Casino and Christchurch Casino.

SKYCITY Adelaide

SKYCITY Adelaide includes casino operations and food and beverage.

SKYCITY Darwin

SKYCITY Darwin includes casino operations, food and beverage and hotel.

International Business

International Business includes commission and complimentary play. The international business segment is made up of customers sourced mainly from Asia, and the rest of the world. The revenue is generated at SKYCITY's Auckland, Darwin, Adelaide and Queenstown locations.

Corporate / Group

Head office functions including legal and regulatory, group finance, human resources and information technology, the Chief Executive's office and directors.

	AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	ADELAIDE \$'000	DARWIN \$'000	INTER- NATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
2010							
Revenue from external customers and other income	393,326	47,261	169,263	134,522	26,485	-	770,857
Shares of net profits of associates	-	5,868	-	-	-	-	5,868
Less							
Expenses	(199,528)	(27,072)	(129,862)	(86,698)	(17,572)	(27,590)	(488,322)
Depreciation and amortisation	(35,106)	(5,212)	(9,883)	(11,542)	-	(5,764)	(67,507)
Segment profit/EBIT	158,692	20,845	29,518	36,282	8,913	(33,354)	220,896
Finance costs							(47,388)
Profit before income tax							173,508
Segment assets	649,281	146,607	268,424	344,520	-	227,408	1,636,240
Investment in associates	-	83,549	-	-	-	-	83,549
Additions to non-current assets (other than financial assets and deferred tax)	21,737	2,699	13,428	16,170	-	4,548	58,582

NOTES TO THE FINANCIAL STATEMENTS

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28. SEGMENT INFORMATION (continued)

	AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	ADELAIDE \$'000	DARWIN \$'000	INTER- NATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
2009							
Revenue from external customers and other income	404,619	47,502	160,510	134,060	17,556	-	764,247
Shares of net profits of associates	-	5,653	-	-	-	-	5,653
Less							
Expenses	(197,294)	(27,623)	(124,372)	(85,071)	(15,110)	(26,488)	(475,958)
Depreciation and amortisation	(34,886)	(5,176)	(10,801)	(10,523)	-	(8,740)	(70,126)
Segment profit/EBIT	172,439	20,356	25,337	38,466	2,446	(35,228)	223,816
Finance costs							(66,940)
Profit before income tax							156,876
Segment assets	656,002	147,470	266,035	335,460	-	384,887	1,789,854
Investment in associates	-	81,023	-	-	-	-	81,023
Additions to non-current assets (other than financial assets and deferred tax)	30,373	4,533	10,036	38,782	-	9,107	92,831

Reportable segments' assets are reconciled to total assets as follows:

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
Segment assets for reportable segments	1,636,240	1,789,854
Assets of discontinued operations	-	82,992
Total assets per the balance sheet	1,636,240	1,872,846
Revenue – products and services		
Local gaming	575,802	586,722
International business	26,485	17,556
Non-gaming	167,650	157,988
Total revenue	769,937	762,266
Revenue – geographic		
New Zealand	452,717	455,884
Australia	317,220	306,382
Total revenue	769,937	762,266
Non-current asset additions – geographic		
New Zealand	28,984	44,013
Australia	29,598	48,818
Total non-current asset additions	58,582	92,831
Non-current assets excluding financial instruments – geographic		
New Zealand	879,473	948,591
Australia	579,622	576,792
Total non-current assets excluding financial instruments	1,459,095	1,525,383

NOTES TO THE FINANCIAL STATEMENTS

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29. SHARE-BASED PAYMENTS

Executive Share Rights Plan 2005

The Executive Share Rights Plan (Rights Plan) was approved by directors in December 2004 and commenced on 1 July 2005. Share rights issued under the Rights Plan are exercisable after the third anniversary of their date of issue provided the terms and conditions of the Plan are met, and lapse if not exercised within five years. The exercise price of the share rights is the base exercise price adjusted for the company's estimated cost of equity and dividends/distributions between the issue date and the exercise date of the rights.

Chief Executive Officer Convertible Rights

A Commencement Grant of 200,000 convertible share rights was made to the CEO with effect from 1 March 2008. Each right converted into one SKYCITY share on 1 March 2010.

Chief Executive Officer Long Term Incentive Plan

The Chief Executive Officer Long Term Incentive Plan (CEO LTI) was approved by shareholders at the 31 October 2008 Annual Meeting. Share rights are granted under the CEO LTI and (if exercisable) may be exercised at no cost. If exercised each share right corresponds to one fully paid ordinary share in company. Share rights only become exercisable when performance hurdles set by the board of directors are met.

491,132 rights were issued in the prior year.

Executive Long Term Incentive Plan 2008

The Executive Long Term Incentive Plan (Executive LTI) was approved by directors in December 2008. Share rights are granted under the Executive LTI and (if exercisable) may be exercised at no cost. If exercised each share right corresponds to one fully paid ordinary share in the company. Share rights only become exercisable when performance hurdles set by the board of directors are met.

875,000 rights were issued in the prior year.

Chief Executive Officer and Executive Long Term Incentive Plan 2009

During the current year, the Group implemented a new long term incentive plan for a limited number of senior executives (including the Chief Executive Officer). This plan replaced the share based Chief Executive Officer Long Term Incentive Plan and the Executive Long Term Incentive Plan 2008.

Under the new plan, executives purchase SKYCITY shares funded by an interest free loan from the Group. The shares purchased by the executives are held by a trustee company with executives entitled to exercise the voting rights attached to the shares and receive dividends, the proceeds of which are used to repay the interest free loan.

At the end of the restricted period, the Group will pay a bonus to each executive to the extent their performance targets have been met which is sufficient to repay the initial interest free loan associated with the shares which vest. The shares upon which performance targets have been met will then fully vest to the executives. The loan owing on shares upon which performance targets have not been met (the forfeited shares) will be novated from the executives to the trustee company and will be fully repaid by the transfer of the forfeited shares. Performance targets relate to total shareholder return.

At 30 June 2010 the interest free loan on the CEO Long Term Incentive Plan is \$1,173,039 and on the Executive Long Term Incentive Plan total \$1,904,372.

NOTES TO THE FINANCIAL STATEMENTS

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29. SHARE-BASED PAYMENTS (continued)

Movements in the number of share rights outstanding are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
Consolidated and parent – 2010								
08/09/04	08/09/09	\$4.44	150,000	–	–	(150,000)	–	–
05/09/05	05/09/10	\$4.81	231,000	–	–	–	231,000	231,000
04/09/06	04/09/11	\$5.15	384,000	–	–	(51,000)	333,000	333,000
01/03/08	01/03/10		200,000	–	(200,000)	–	–	–
01/03/08	01/03/12		491,132	–	–	–	491,132	–
01/07/08	01/07/12		850,000	–	–	(250,000)	600,000	–
02/09/09	02/09/13		–	1,046,800	–	(86,625)	960,175	–
Total			2,306,132	1,046,800	(200,000)	(537,625)	2,615,307	564,000
Consolidated and parent – 2009								
09/09/03	09/09/08	\$4.42	238,000	–	–	(238,000)	–	–
08/09/04	08/09/09	\$4.44	511,000	–	–	(361,000)	150,000	150,000
05/09/05	05/09/10	\$4.81	507,666	–	–	(276,666)	231,000	231,000
04/09/06	04/09/11	\$5.15	1,395,304	–	–	(1,011,304)	384,000	–
01/03/08	01/03/10		200,000	–	–	–	200,000	–
01/03/08	01/03/12		–	491,132	–	–	491,132	–
01/07/08	01/07/12		–	875,000	–	(25,000)	850,000	–
Total			2,851,970	1,366,132	–	(1,911,970)	2,306,132	381,000

Exercise price

The rights granted from 2008 onwards do not have an exercise price.

The weighted average remaining contractual life of options and rights outstanding at the end of the period was 2.10 years (2009: 1.76 years).

Fair value of share rights granted

The assessed fair value at grant date of the rights granted in the current year is 98.3 cents (CEO LTI rights granted during the year ended 30 June 2009 was \$1.20 and Executive LTI rights was 88.0 cents).

The valuation inputs for the rights (2009: CEO LTI Rights) granted during the year ended 30 June 2009 included:

- rights are granted for no consideration
- exercise price: nil (2009 CEO LTI Rights: nil)
- grant date: 2 September 2009 (2009 CEO LTI Rights: 1 March 2008)
- expiry date: 1 September 2013 (2009 CEO LTI Rights: 1 March 2012)
- share price at valuation date \$3.78 (2009 CEO LTI Rights: \$3.96)
- present value of expected dividend: 58.5 cents (2009 CEO LTI Rights: 57 cents)

The expected price volatility is derived by analysing the historic volatility over a recent historical period similar to the term of the right.

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29. SHARE-BASED PAYMENTS (continued)

The valuation inputs for the Executive LTI Rights granted during the year ended 30 June 2009 included:

- (a) rights are granted for no consideration
- (b) exercise price: nil
- (c) grant date: 1 July 2008
- (d) expiry date: 1 July 2011
- (e) share price at valuation date (1 July 2008): \$3.12
- (f) present value of expected dividend: 60 cents

The expected price volatility is derived by analysing the historic volatility over a recent historical period similar to the term of the right.

Expenses arising from Share-Based Payment Transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as below.

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Rights issued under Share Rights Plans	895	706	895	706
	895	706	895	706

30. RELATED PARTY TRANSACTIONS

There are no bad or doubtful debts associated with any related party of the Group or parent entity (2009: nil).

(a) Key Management and Personnel Compensation

Key management compensation for the years ended 30 June 2010 and 2009 is set out below. The key management personnel are all the directors of the company, the Chief Executive Officer and the direct reports to the Chief Executive Officer.

	SHORT TERM BENEFITS \$'000	TERMINATION PAYMENTS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2010	7,016	375	653	8,044
2009	6,329	-	620	6,949

(b) Other transactions with key management personnel or entities related to them

Information on transactions with key management personnel or entities related to them, other than compensation, are set out below.

Fees in the amount of \$337,247 (2009: \$457,948) were paid to Assignment Group New Zealand Limited for marketing assistance on normal commercial terms. P D Cullinane, who is a director of SKYCITY Entertainment Group Limited, is also a director of Assignment Group New Zealand Limited.

Certain directors have relevant interests in a number of companies with which SKYCITY has transactions in the normal course of business. A number of SKYCITY directors are also non-executive directors of other companies. Any transactions undertaken with these entities have been entered into on an arms-length commercial basis.

(c) Subsidiaries

Interests in subsidiaries are set out in note 31.

(d) Parent

The majority of the parent entity's transactions are with its subsidiaries including the payment of dividends (\$100.2 million; 2009: \$100.2 million) and provision of employee services (\$17.4 million; 2009: \$15.2 million) on normal commercial terms.

(e) Associates

The Group has loaned Christchurch Hotels Limited \$6,429,000 (2009: \$7,649,000) as set out in note 10 on normal commercial terms.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

31. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

All wholly-owned subsidiary companies and significant partly-owned subsidiaries have balance dates of 30 June.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2010 %	2009 %
Planet Hollywood (Civic Centre) Limited	New Zealand	Ordinary	100	100
Queenstown Casinos Limited	New Zealand	Ordinary	60	60
SKYCITY Action Management Limited	New Zealand	Ordinary	100	100
SKYCITY Auckland Holdings Limited	New Zealand	Ordinary	100	100
SKYCITY Auckland Limited	New Zealand	Ordinary	100	100
SKYCITY Casino Management Limited	New Zealand	Ordinary	100	100
SKYCITY Cinema Holdings Limited	New Zealand	Ordinary	–	100
SKYCITY Cinemas Limited	New Zealand	Ordinary	–	100
SKYCITY Cinemas New Plymouth Limited	New Zealand	Ordinary	–	100
SKYCITY Cinemas Nominees Limited	New Zealand	Ordinary	–	100
SKYCITY Cinemas Queen Street Nominees Limited	New Zealand	Ordinary	–	100
SKYCITY Distribution Limited	New Zealand	Ordinary	–	100
SKYCITY Hamilton Limited	New Zealand	Ordinary	100	100
SKYCITY International Holdings Limited	New Zealand	Ordinary	100	100
SKYCITY Investments Australia Limited	New Zealand	Ordinary	100	100
SKYCITY Investments Christchurch Limited	New Zealand	Ordinary	100	100
SKYCITY Investments Queenstown Limited	New Zealand	Ordinary	100	100
SKYCITY Management Limited	New Zealand	Ordinary	100	100
SKYCITY Metro Limited	New Zealand	Ordinary	100	100
SKYCITY Wellington Limited	New Zealand	Ordinary	100	100
Sky Tower Limited	New Zealand	Ordinary	100	100
Toptown Nominees Limited	New Zealand	Ordinary	100	100
SKYCITY Adelaide Pty Limited	Australia	Ordinary	100	100
SKYCITY Australia Finance Pty Limited	Australia	Ordinary	100	100
SKYCITY Australian Limited Partnership	Australia	Ordinary	100	100
SKYCITY Australia Pty Limited	Australia	Ordinary	100	100
SKYCITY Treasury Australia Pty Limited	Australia	Ordinary	100	100
SKYCITY Darwin Pty Limited	Australia	Ordinary	100	100
SKYCITY International ApS	Denmark	Ordinary	–	100
SKYCITY Cinemas (Fiji) Limited	Fiji	Ordinary	–	100

32. INTEREST IN JOINT VENTURES

The Group's interest in joint ventures was included in the cinemas disposal.

33. CONTINGENCIES

There are no significant contingencies at year end (2009: nil).

34. COMMITMENTS

Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as set out below.

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Property, plant and equipment	12,940	13,506	–	–

NOTES TO THE FINANCIAL STATEMENTS

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34. COMMITMENTS (continued)**Operating Lease Commitments**

The Group leases various offices and other premises under non-cancellable operating leases. These leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	6,776	17,751	–	–
Later than one year but not later than five years	13,921	59,635	–	–
Later than five years	319,443	405,654	–	–
Commitments not recognised in the financial statements	340,140	483,040	–	–

The above operating lease summary includes a large number of leases, the most significant of which are:

SKYCITY Auckland – Hobson and Federal Streets sub-soil lease. This lease is for a period of 999 years from 31 January 1996 with rent reviews every five years.

SKYCITY Adelaide – Casino building lease. The initial lease term is until 3 March 2025 with 3 further rights of renewal for 20 years each and annual rent reviews.

35. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit/(loss) for the year, including discontinued operations	102,025	115,301	58,743	54,824
Minority interest	(157)	199	–	–
Depreciation and amortisation	67,507	77,727	5,727	8,603
Interest expense	47,388	67,351	10,068	9,905
Current period employee share entitlement	(79)	(250)	(79)	(250)
Current period share options expense	895	706	895	706
Gain on sale of fixed assets	(733)	(1,215)	–	–
Gain on disposal of Cinemas	(13,491)	–	–	–
Dividend from subsidiary	–	–	(100,224)	(100,199)
Share of profits of associates not received as dividends or distributions	(2,526)	393	–	–
Change in operating assets and liabilities				
(Increase)/decrease in receivables and prepayments	974	7,327	(68,079)	84
(Increase) in inventories	(545)	(718)	–	–
(Decrease)/increase in payables and accruals	(8,543)	(8,778)	119,450	(230,754)
Increase/(decrease) in deferred tax liability	46,987	(17,823)	–	–
(Increase)/decrease in tax receivable	(21,821)	30,835	–	–
(Decrease) in other non-current liabilities	(2,547)	–	–	–
Capital items included in working capital movements	12,275	6,080	–	–
Subsidiary funding transactions	–	–	(52,581)	230,704
Net cash inflow/(outflow) from operating activities	227,609	277,135	(26,080)	(26,377)

36. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**Dividend**

On 16 August 2010, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2010. The fully imputed dividend of 9.25 cents per share will be paid on 17 September 2010 to all shareholders on the company's register at the close of business on 10 September 2010.

CORPORATE GOVERNANCE AND OTHER DISCLOSURES

FOR THE YEAR ENDED 30 JUNE 2010

CORPORATE GOVERNANCE

SKYCITY Entertainment Group Limited is committed to maintaining the highest standards of corporate behaviour and responsibility, and has adopted governance policies and procedures reflecting this.

In establishing its governance policies and procedures, the SKYCITY board has adopted ten governance parameters as the cornerstone principles of its corporate governance charter. As a New Zealand company listed on the Australian and New Zealand stock exchanges, these cornerstone principles, set out below and on the following pages, reflect the Listing Rules and Corporate Governance Best Practice Code of NZX Limited (NZX), the Listing Rules of ASX Limited (ASX), the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council, and the New Zealand Securities Commission's Governance Principles and Guidelines.

SKYCITY's corporate governance framework is fully detailed in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

1. ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

SKYCITY's procedures are designed to:

- enable the board to provide strategic guidance for the company and effective oversight of management;
- clarify the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability to both the company and its shareholders; and
- ensure a balance of authority so that no single individual has unfettered powers.

The board establishes the company's objectives, the major strategies for achieving those objectives and the overall policy framework within which the business of the company is conducted, and monitors management's performance with respect to these matters.

The board is also responsible for ensuring that the company's assets are maintained under effective stewardship, that decision-making authorities within the organisation are clearly defined, that the letter and intent of all applicable company and casino law and regulation are complied with, and that the company is well managed for the benefit of its shareholders and other stakeholders. The board also oversees management's risk profiling and business continuity plans.

The board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the Chief Executive Officer and others (including SKYCITY-appointed directors on subsidiary company boards) who are charged with the day-to-day leadership and management of the company.

The Chief Executive Officer also has responsibility to manage and oversee the interfaces between the company and the public and to act as the principal representative of the company.

The board maintains a formal set of delegated authorities that defines the responsibilities which are delegated to the Chief Executive Officer and management and those which are retained by the board. These delegated authorities are approved by the board and are subject to annual review by the board.

2. STRUCTURE THE BOARD TO ADD VALUE

Board effectiveness requires the efficient discharge of the duties imposed by law on the directors and addition of value to the company. To achieve this, the SKYCITY board is structured to:

- have a sound understanding of, and competence to deal with, the current and emerging issues of the business;
- effectively review and challenge the performance of management and exercise independent judgement; and
- assist in the selection of candidates to stand for election by shareholders at annual meetings.

Board Composition

The board ensures that it is of an effective composition and size to adequately discharge its responsibilities and duties and to add value to the company's decision-making.

In order to meet these requirements, the board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement. As at 30 June 2010, the board comprised five non-executive directors and a managing director. Biographical details of individual directors are set out in the company's 2010 Shareholder Review. As at the date of this annual report, the board had approved the appointment of two additional non-executive directors, but their appointments remain subject to approval by regulatory authorities in each of the jurisdictions in which the company operates its gaming activities. Biographical details of these directors are set out in the company's 2010 Shareholder Review.

Directors are appointed under the company's Terms of Appointment and Terms of Reference for Directors and Board Charter for a term of three years and are subject to re-election by shareholders in accordance with the rotation requirements of the NZX and the ASX.

The board has established the Governance and Nominations Committee to make recommendations on the board's size, selection and removal of directors, on appropriate procedures for director and board evaluation and performance review, the induction, orientation and training of new directors in the company's operations and the gaming/entertainment sector generally, and on the board's succession planning.

CORPORATE GOVERNANCE

CONTINUED

The company's constitution also requires all potential directors to have satisfied the extensive probity requirements of each jurisdiction in which the company holds gaming licences.

Director Independence

The Board Charter requires that the board contains a majority of its number who are independent directors. SKYCITY also supports the separation of the role of board chairperson from the Chief Executive Officer position. Directors are required to ensure all relationships and appointments bearing on their independence are disclosed to the Governance and Nominations Committee on a timely basis. In determining the independence of directors, the board has adopted the definition of independence set out in the NZX Corporate Governance Best Practice Code and has taken into account the independence guidelines (ASX Independence Guidelines) as recommended in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

At its 28 June 2010 meeting, the board reviewed the status of each director in accordance with the independence specification of the NZX Code and taking into account the ASX Independence Guidelines and determined that all current non-executive directors are independent.

Access to Information and Advice

New directors participate in an individual induction programme, tailored to meet their particular information requirements.

Directors receive regular reports and comprehensive information on the company's operations before each meeting and have unrestricted access to any other information they require.

Senior management is available at and outside each meeting to address queries. Directors are expected to maintain an up-to-date knowledge of the company's business operations and of the industry sectors within which the company operates. Directors are provided with updates on industry developments, and undertake regular visits

to the company's key operations. The board also undertakes periodic educational trips to observe and receive briefings from other companies in the gaming and entertainment industries.

Directors are entitled to obtain independent professional advice (at the expense of the company) on any matter relating to their responsibilities as a director or with respect to any aspect of the company's affairs, provided they have previously notified the board chairperson of their intention to do so.

Indemnities and Insurance

The company provides a deed of indemnity in favour of each director and senior management personnel and provides professional indemnity insurance cover for directors and executives acting in good faith in the conduct of the company's affairs.

Board Committees

The board has three formally appointed committees, being the Audit and Risk Committee, Governance and Nominations Committee and Remuneration Committee. The non-executive directors of the board appoint the chairperson of each committee.

The current members and chairperson of each committee are set out in the company's 2010 Shareholder Review and on the company's website.

Each committee operates under a charter document as agreed by the board. The charters, which are available on the company's website, set out the role and responsibilities of each committee. Each committee charter and the performance of each committee are subject to formal review by the board on an annual basis.

Meeting Attendance

The following table shows attendances at board and committee meetings by directors during the year ended 30 June 2010.

Six board meetings were scheduled, and a further three meetings were called to consider matters as they arose during the year.

	APPOINTMENT TO OFFICE	BOARD SCHEDULED	BOARD UNSCHEDULED	BOARD TOTAL	AUDIT AND RISK	HUMAN RESOURCES ⁽¹⁾	REMUNERATION ⁽¹⁾	GOVERNANCE AND NOMINATIONS
NUMBER OF MEETINGS HELD		6	3	9	4	2	1	1
R H McGeoch	20 September 2002	6	3	9	4	2	1	1
P D Cullinane	26 March 2008	6	2	8	–	2	1	1
J L Freeman ⁽²⁾	26 March 2008	3	2	5	–	1	–	1
P B Harman	18 December 2008	6	3	9	4	1	1	1
C J D Moller	18 December 2008	6	3	9	4	–	–	1
N B Morrison	18 December 2008	6	3	9	–	–	–	1
Sir Dryden Spring	31 October 2003	5	2	7	3	–	1	1
E Toime ⁽³⁾	1 February 1996	2	1	3	–	1	–	–

(1) The Human Resources Committee was disestablished and replaced with the Remuneration Committee on 22 April 2010.

(2) J L Freeman resigned as a director of the company on 5 March 2010.

(3) E Toime retired as a director of the company on 30 October 2009.

CORPORATE GOVERNANCE

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3. INTEGRITY AND ETHICAL BEHAVIOUR

SKYCITY actively promotes ethical and responsible behaviour and decision-making by:

- clarifying and promoting observance of its guiding values;
- clarifying the standards of ethical behaviour required of company directors and key executives (that is, officers and employees who have the opportunity to materially influence the integrity, strategy and operations of the business and its financial performance) and encouraging the observance of those standards; and
- communicating the requirements relating to trading in the company's securities by directors and employees.

The Governance and Nominations Committee is responsible for monitoring the organisational integrity of business operations to ensure the maintenance of a high standard of ethical behaviour. This includes ensuring that SKYCITY operates in compliance with its Code of Business Practice, which sets out the guiding principles of its relationships with stakeholder groups such as regulators, shareholders, suppliers, customers, community groups and employees. All senior managers are required annually to provide a confirmation to the company that to the best of their knowledge the company has complied with the Code of Business Practice and all other ethical responsibilities during the financial year.

The company maintains a Securities Trading Policy for directors and employees that sets out guidelines in respect of trading in, or giving recommendations concerning, the company's securities. In addition, prior consent must be obtained from the company secretary before directors and certain employees who may have access to material information undertake any trading in the company's securities.

Details of any securities trading by directors or executives who are subject to the company's Securities Trading Policy are notified to the board.

Officers of the company must formally disclose their SKYCITY shareholdings and other securities holdings to the NZX within five business days of any change in their holding of such securities.

Directors and employees are not permitted to participate in any gaming or wagering activity at SKYCITY operated properties or at a related property, including Christchurch Casino.

4. SAFEGUARD THE INTEGRITY OF THE COMPANY'S FINANCIAL REPORTING

The board is responsible for ensuring that effective policies and procedures are in place to provide confidence in the integrity of the company's financial reporting.

The Audit and Risk Committee has responsibility for oversight of the quality, reliability, and accuracy of the company's internal and external financial statements, the quality of the company's external result presentations, its internal control environment and risk management programmes, and for its relationships with its internal and external auditors.

The Audit and Risk Committee and the board undertake sufficient inquiry of the company's management and the company's internal and external auditors in order to enable them to be satisfied as to the validity and accuracy of the company's financial reporting. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Risk Committee that the annual and interim financial statements present a true and fair view of the company's financial condition and results of operations, and comply with relevant accounting standards.

The Committee oversees the independence of the company's internal and external auditors and monitors the scope and quantum of work undertaken and fees paid to the auditors for other than audit work. The Committee has adopted an External Audit Independence Policy that sets out the framework for assessing and maintaining audit independence.

The Committee has formally reviewed the independence status of PricewaterhouseCoopers and is satisfied that its objectivity and independence is not compromised as a consequence of other than audit work undertaken for the company. PricewaterhouseCoopers has confirmed to the Committee that it is not aware of any matters that could affect its independence in performing its duties as auditor of the company.

Fees paid to PricewaterhouseCoopers during the 2009/10 year are set out in note 5 to the financial statements. Fees for audit and tax compliance work in the 2009/10 year represent 58% of total PricewaterhouseCoopers fees.

5. TIMELY AND BALANCED DISCLOSURE

The board is committed to ensuring timely and balanced disclosure of all material matters concerning the company to ensure compliance with the letter and intent of NZX and ASX Listing Rules such that:

- all investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance; and
- company announcements are factual and comprehensive.

The company is committed to presenting its financial and key operational performance results in a clear, effective, balanced and timely manner to the stock exchanges on which the company's securities are listed, and to its shareholders, analysts and other market commentators, and ensures that such information is available on the company's website.

CORPORATE GOVERNANCE

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Peter Treacy, General Counsel, is Company Secretary and the Disclosure Officer for SKYCITY Entertainment Group Limited and is responsible for bringing to the attention of the board any matter relevant to the company's disclosure obligations.

6. RESPECT AND FACILITATE THE RIGHTS OF SHAREHOLDERS

The company's shareholder communications strategy is designed to facilitate the effective exercise of shareholder rights by:

- communicating effectively with shareholders;
- providing shareholders with ready access to balanced and understandable information about the company and corporate proposals; and
- facilitating participation by shareholders in general meetings of the company.

The company achieves this by ensuring that information about the company is available to all shareholders by means of personal and/or website communication and through encouraging shareholders to attend general meetings of the company and making appropriate time available at such meetings for shareholders to ask questions of directors and management. Representatives of the company's external auditors are also invited to attend the company's annual meeting to answer any shareholder questions concerning their audit and external audit report. As for last year, this year the company has also provided all shareholders with a Shareholder Review, which contains much of the information previously included in the annual report in a more accessible document.

7. RECOGNISE AND MANAGE RISK

The company maintains a programme for the identification, assessment, monitoring and management of risk to the company's business. The risk management programme is approved and overseen by the Audit and Risk Committee.

SKYCITY maintains an independent, centrally-managed internal audit function which evaluates and reports on financial, operational and management controls across the Group.

The Audit and Risk Committee approves the internal audit programme, with results and performance of the control environments regularly reviewed by both the committee and the external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Risk Committee that the statement in respect of the integrity of the company's financial statements referred to above is founded on a sound system of risk management and internal compliance and control which implements the policies of the board, and that the company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

The company maintains business continuity, material damage and liability insurance covers to ensure that the earnings of the business are well protected from adverse circumstances.

8. PERFORMANCE EVALUATION

The board and committee charters require an evaluation of the board and the committee performance on an annual basis. The Governance and Nominations Committee determines and oversees the process for evaluation which includes assessment of the role and responsibilities, performance, composition, structure, training, and membership requirements of the board and its committees.

The performance review of the board for 2009 was conducted by the chairman of the board (Rod McGeoch) and completed in February 2010. The review involved a formal response/feedback process with a one-on-one meeting involving the chairman and each director individually and involved input from external experts.

The board undertakes the performance review of the Chief Executive Officer and those reporting directly to that position in accordance with the company's performance review procedures, with the last review conducted in July 2010.

9. REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Committee's responsibilities include the review of SKYCITY's remuneration policies and procedures.

The guiding principles that underpin SKYCITY's remuneration policies are:

- to be market-competitive at all levels to ensure the company can attract and retain the best available talent;
- to be performance-oriented so that remuneration practices recognise and reward high levels of performance and to avoid an entitlement culture;
- to provide a significant at-risk component of total remuneration which drives performance to achieve company goals and strategy;
- to manage remuneration within levels of cost efficiency and affordability; and
- to align remuneration for senior executives with the interests of shareholders.

Non-Executive Director Remuneration

Shareholders at the annual meeting determine the total remuneration available to non-executive directors.

At the 2008 annual meeting, shareholders approved, effective from 1 July 2008, a total remuneration amount for non-executive directors of \$950,000 per annum (plus GST if any).

Current annual fees are \$200,000 for the chairperson of the board and \$90,000 for non-executive directors. In addition, each member (including each chairperson) of the Audit and Risk and

CORPORATE GOVERNANCE

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Remuneration Committees receives \$10,000 per annum. The chairperson of the Audit and Risk Committee also receives an additional \$25,000 per annum for chairing that committee and the chairperson of the Remuneration Committee receives an additional \$15,000 per annum for chairing that committee.

For those directors who were in office on or before 1 May 2004, SKYCITY's constitution permits the company, at the discretion of the board, to make a retirement payment to a director (or to his or her dependants), provided that the total amount of the payment does not exceed the total remuneration of the director in his or her capacity as a director in any three years chosen by the company. Retirement allowances for SKYCITY directors were discontinued at 30 June 2004 with retirement allowances accrued to that date frozen as to amount. Retirement allowances accrued as at 30 June 2004 do not carry any interest entitlement between 1 July 2004 and the date of payment. E Toime was paid \$149,655.59 as a retirement payment in October 2009 following his retirement from the board.

Chief Executive Officer Remuneration

Employment Agreement

Nigel Morrison has an employment agreement as Chief Executive Officer that commenced on 1 March 2008. The agreement is not a fixed term contract. The terms of the agreement reflect standard conditions that are appropriate for a senior executive of a listed Australasian company.

Mr Morrison may resign at any time giving six months' notice. SKYCITY may terminate Mr Morrison's employment with twelve months' notice (or make a payment of the total base remuneration he would have received during such period in lieu of such notice).

The agreement may be terminated by Mr Morrison on three months' notice if there is a fundamental change so that there is a substantial diminution of his role, status and responsibility, including where he is no longer the Chief Executive Officer of a listed public company, and he will be entitled to receive payment as if SKYCITY had terminated his employment with notice as set out above.

If SKYCITY terminates Mr Morrison's employment on notice, or his employment terminates in the event of a fundamental change noted above, entitlements under the Long Term Incentive (LTI) referred to below that would otherwise be eligible to vest during the notice period will vest subject to satisfaction of the applicable performance hurdles.

In the event of termination of Mr Morrison's employment for serious misconduct or a serious breach of his employment agreement, no notice period will apply and Mr Morrison will not be eligible to receive any entitlements other than base remuneration then due, any accrued holiday pay, any accrued or vested Short Term Incentive (STI) which has been awarded but not yet paid, and any LTI where the vesting conditions have been satisfied but not yet tested.

Except as set out above, any additional entitlement to STI or LTI on the termination of employment is at the discretion of the board, subject to the rules for those schemes.

There is no redundancy entitlement under the agreement.

Remuneration

Mr Morrison's remuneration for the year ended 30 June 2010 of \$2,556,408 comprised base salary of \$1,492,500 plus a performance-related incentive payment of \$1,063,908 relating to the 2008/09 financial year.

As a condition of his employment agreement, and under the terms of the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the company's 2009 annual meeting, Mr Morrison was provided with a \$1,200,000 interest-free loan to purchase 366,300 shares in the company (effective 2 September 2009). Under the plan, those shares are held by a trustee on behalf of Mr Morrison for a restrictive period of at least three years until certain performance hurdles are met. The performance hurdles involve comparison of the total shareholder return (TSR) achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies (comparator group), and by the companies whose securities are in the NZSX50 index (index group). Vesting of the shares in Mr Morrison requires achievement of certain levels of TSR relative to the comparator group and index group over a minimum three year restrictive period. Performance will be assessed three years after the issue of the shares, at which time the board will determine whether the performance hurdles have been satisfied and, if so, how many of the shares will vest in Mr Morrison. If the performance hurdles have not been met in full, the restrictive period will be automatically extended for a further period of up to one year for any unvested shares. During this period, the company will assess (after six months and after twelve months) whether the performance hurdles have been achieved.

Mr Morrison had previously received a commencement grant of 200,000 convertible share rights which were to convert to ordinary shares provided he remained employed by the company on 1 March 2010. On 1 March 2010, these rights converted to 200,000 SKYCITY shares.

SKYCITY employee remuneration

All salaried roles within SKYCITY are job-sized using a recognised methodology to measure the impact, accountability, and complexity of each role as it contributes to the organisation. Remuneration data is obtained from a number of sources to determine remuneration ranges by job band or level to ensure competitiveness at both base salary and total remuneration levels. Individual remuneration is set within the appropriate range taking into account such matters as individual performance, scarcity/availability of resource/skill, internal relativities and specific business needs. This process ensures internal equity between roles and allows comparison with the overall market. Remuneration ranges are reviewed annually to reflect market movements.

CORPORATE GOVERNANCE

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The Remuneration Committee approves remuneration increases for the senior executive group.

Short Term Incentive Arrangements

Salaried Incentive Plans

To drive outstanding company and individual performance, SKYCITY operates a Short Term Incentive Plan (STI) for selected senior salaried employees and those with operational accountability for a department or business unit. For each individual, a minimum of 60% of their STI target is linked to the achievement of minimum financial targets with the remaining percentage dependent on the achievement of individual, role-specific targets.

Payments under the STI have a minimum trigger point based on company and business unit financial targets and increase according to the degree by which the company performs relative to these financial targets. For the year ended 30 June 2010, 238 salaried staff participated in the STI scheme. Based on achievement of individual and financial targets, 175 staff received an average STI payment of 12% of their fixed salaries.

All other permanent salaried employees who were not eligible to participate in the STI participated in a discretionary bonus plan known as the Individual Bonus Plan (IBP). Under this plan, bonuses were awarded to those staff that consistently exceeded the key performance indicators that were set for them at the commencement of the financial year.

A total of 334 SKYCITY salaried personnel were paid incentives totalling \$4.21m under the STI and IBP. This number includes incentives received by senior executives but excludes incentives received by the Chief Executive Officer.

The board has approved the continuation of both the STI and IBP for 2010/11 with minimal changes.

Long Term Incentive Arrangements

Executive Share Plan 2009

A new Long Term Incentive Plan (LTI Plan 2009) for senior executives was introduced in 2009, which is similar to the Long Term Incentive Plan approved for the Chief Executive Officer at the annual meeting in 2009.

The LTI Plan 2009 replaced the Rights Plan 2008 referred to below with effect from 1 July 2009 for the 2009/10 financial year and subsequent years.

The LTI Plan 2009 differs from the Rights Plan 2008 in two key respects. Firstly, it includes the provision of financial assistance to selected senior executives by way of an interest-free loan by a subsidiary of the company and, secondly, it includes the immediate issue, or acquisition on-market, of shares in the company by such participants rather than the issue of share rights (being rights to acquire ordinary shares in the company). A trustee holds legal title to the relevant shares on behalf of such participants for a restrictive period until certain performance hurdles are met. In all other material respects, the LTI Plan 2009 is unchanged from the Rights Plan 2008.

Details of the shares issued under the LTI Plan 2009 and outstanding as at 6 September 2010 are set out on page 63 of this annual report.

Executive Share Rights Plan 2008

The Long Term Incentive Plan (Rights Plan 2008) for senior executives was introduced in respect of the 2008/09 financial year, which was similar to the Long Term Incentive Plan approved for the Chief Executive Officer at the annual meeting in 2008.

Under the Rights Plan 2008, selected senior executives were issued share rights entitling them to receive shares based on the company's achievement of designated performance hurdles. The performance hurdles involve comparison of the total shareholder return (TSR) achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies (comparator group), and by the companies whose securities are in the NZSX50 index (index group).

For share rights to become exercisable, the company must achieve a TSR greater than or equal to the average of the TSRs representing the 50th percentile of the TSRs of the members of the comparator group and of the index group (Average Median TSR) during the relevant assessment period. The number of rights that will become exercisable will depend on where the SKYCITY TSR is relative to the Average Median TSR (at which point 50% of share rights become exercisable) and the average of the TSRs representing the 75th percentiles of the TSRs achieved by the comparator group and the index group (at or above which point 100% of share rights will become exercisable). In addition, the board has discretion to determine that up to 25% of share rights will become exercisable if the company's TSR for the relevant period does not exceed the Average Median TSR, but exceeds one or other of the TSRs representing the 50th percentile of TSRs of the members of the comparator group and of the index group.

Performance will be assessed three years after the issue of the rights, and (provided rights have not lapsed and all performance hurdles have not been satisfied) after a further six and twelve months. Special assessment may occur in the event of a takeover offer, amalgamation or scheme of arrangement involving the company. Rights which have not previously become exercisable will lapse to the extent performance hurdles have not been fully satisfied in respect of the period to the fourth anniversary of the issue date.

Details of the share rights issued under the Rights Plan 2008 and outstanding as at 6 September 2010 are set out on page 63 of this annual report.

Executive Share Rights Plan 2005

The SKYCITY Executive Share Rights Plan (Rights Plan 2005) commenced on 1 July 2005, following expiry of the Executive Share Option Plan 2002 for senior executives as a long-term incentive to encourage retention and value creation. The Rights Plan 2005 was only for a three year period to 30 June 2008. However, certain share rights issued to senior executives under the Rights Plan 2005 remain outstanding as at 6 September 2010, as detailed on page 63 of this annual report.

CORPORATE GOVERNANCE

CONTINUED

The Rights Plan 2005 was structured to align executive interests with shareholder interests, to motivate executives to drive company performance and to reward executives for loyalty and commitment.

Rights issued under the Rights Plan 2005, except in special circumstances, cannot be exercised until three years from the date of issue. Rights issued under the Rights Plan 2005 lapse if not exercised on or before the fifth anniversary of their date of issue.

The exercise value of executive share rights is structured so that the employee benefits only if the total return received by the company's shareholders, measured as the combination of share price appreciation and dividends/distributions, exceeds the company's cost of equity over the same period. The company's cost of equity used in the calculation is equivalent to the market's return expectations for a company with the risk profile and prospects of SKYCITY Entertainment Group Limited.

The base exercise value for executive share rights is the average closing price of SKYCITY shares on the NZSX over the ten trading days following release of the company's result to the NZX and the ASX for the financial year to 30 June. The base exercise value is escalated by the company's estimated cost of equity capital adjusted for dividends/distributions between the date the right was issued and its exercise date.

At exercise, the net benefit of the share right is calculated and then the required number of shares are issued.

10. RECOGNISE THE OBLIGATIONS TO ALL STAKEHOLDERS

SKYCITY acknowledges legal and other obligations to non-shareholder stakeholders such as employees, suppliers, customers, regulators, and the community as a whole.

The SKYCITY Code of Business Practice sets out the company's commitment to the community and the standards of behaviour that can be expected by all stakeholders, including employees and shareholders.

SKYCITY is aware that its business may be associated with gambling and alcohol-related harm for some customers. Effective and pro-active customer care are the cornerstone principles of SKYCITY's approach to host responsibility.

COMPLIANCE WITH NZX BEST PRACTICE CODE AND ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

SKYCITY confirms that other than as set out below it has complied with the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations during the 2009/10 year:

- The company has not included the biographical details of its current directors, or details of current members and

chairpersons of its board committees, in this annual report. Their details are contained in the company's 2010 Shareholder Review and are available at all times on the company's website.

- The company does not make available to external parties certain internal policies and procedures. SKYCITY believes that the board charter and the comprehensive references to governance in this annual report and on the company's website provide good disclosure of the company's internal processes and mechanisms and that the underlying intention of the ASX Corporate Governance Council's recommendations on reporting of internal mechanisms have been met.
- Shareholders have not approved extensions of the SKYCITY senior executive options/rights/share plans. The original SKYCITY executive share option plan was approved by shareholders at the 1999 annual meeting of the company and was subsequently extended by the board in August 2002. The major difference in the 2002 renewal was that the period prior to exercise of options was extended from one year to three years. The Executive Share Rights Plan 2005 (which replaced the Executive Share Option Plan 2002) was approved by the board in December 2004 and was essentially a renewal of the company's longer-term incentive remuneration structure for senior executives but, due to changes in the mechanism within the plan, was a preferred structure in that the number of new shares that were to be issued (for the same benefit to executives) was significantly reduced. The Executive Share Rights Plan 2005 imposed a three year restriction before benefits could be realised by participants. The Executive Share Rights Plan 2008 (which replaced the Executive Share Rights Plan 2005) was approved by the board in December 2008 in respect of the 2008/09 financial year and, as noted above, is similar to the Long Term Incentive Plan approved for the Chief Executive Officer at the annual meeting in 2008. The Executive Share Rights Plan 2008 sets out a remuneration structure for senior executives entitling them to receive shares based on the company's achievement of designated performance hurdles, which involve comparison of the total shareholder return achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies, and by the companies whose securities are in the NZSX50 index. As with the Executive Share Rights Plan 2005, the Executive Share Rights Plan 2008 imposes a three year restriction before benefits can be realised by participants. The Executive Share Plan 2009 (which replaced the Executive Share Rights Plan 2008) was approved by the board in September 2009 in respect of the 2009/10 financial year and subsequent years and, other than the two key differences detailed above, the terms remain unchanged from the Executive Share Rights Plan 2008.

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS AS AT 19 AUGUST 2010

	NUMBER OF SHARES	%
		OF SHARES
1. Investors Mutual Limited	32,113,535	5.58%
2. Integrity Investment Management Limited	22,743,757	3.95%
3. BT Funds Mgt (Institutional Group)	21,354,515	3.71%
4. Accident Compensation Corporation	19,839,291	3.45%
5. AMP Capital Investors (New Zealand)	18,355,953	3.19%
6. BlackRock Advisors (Institutional Group)	16,469,829	2.86%
7. Lazard Asset Management Pacific Company	15,257,704	2.65%
8. State Street Global Advisors (Institutional Group)	13,991,691	2.43%
9. Mondrian Investment Partners Limited	13,954,045	2.43%
10. Paradise Investment Management Pty Ltd	13,621,107	2.37%
11. Macquarie (Institutional Group)	12,859,751	2.24%
12. Ellerston Capital Limited	12,681,534	2.21%
13. ING (Institutional Group)	11,334,912	1.97%
14. Perpetual Investments Ltd	10,500,950	1.83%
15. Vanguard Investment (Institutional Group)	10,148,845	1.76%
16. Craigs Investment Partners – Private Clients	9,292,119	1.62%
17. Tyndall Investment Management New Zealand Ltd	8,566,969	1.49%
18. New Zealand Superannuation Fund	8,206,790	1.43%
19. PM CAPITAL, Ltd	8,095,355	1.41%
20. Forsyth Barr – Private Clients	6,602,959	1.15%
Total	285,991,611	49.73%

The analysis as set out above has been compiled based on information provided to the company by Thomson Reuters.

Total shares on issue as at 19 August 2010 were 575,114,687 of which 1,346,800 were held by Public Trust on behalf of eligible and future participants pursuant to the Chief Executive Officer Long Term Incentive Plan 2009 and the Executive Long Term Incentive Plan 2009. No shares were held by the company directly as treasury stock.

SHAREHOLDER INFORMATION

CONTINUED

DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 19 AUGUST 2010

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 – 1,000	3,757	1,517,380
1,001 – 5,000	10,291	28,582,832
5,001 – 10,000	3,789	27,048,932
10,001 – 100,000	3,468	78,674,413
> 100,000	197	439,291,130
Total	21,502	575,114,687

As at 19 August 2010, there were 1,393 shareholders (with a total of 117,974 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$2.29. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A\$500.

SUBSTANTIAL SECURITY HOLDERS

In accordance with section 26(1) of the Securities Markets Act 1988, the following persons had given notice as at 19 August 2010 that they were substantial security holders in the company and held a relevant interest in the number of ordinary shares shown below.

	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT DATE OF NOTICE
Investors Mutual Limited	30 October 2009	35,953,091	6.25%

No further substantial security holder notices had been received as at 24 September 2010.

DIRECTOR AND EMPLOYEE REMUNERATION

REMUNERATION OF DIRECTORS

Non-Executive Directors

Remuneration paid to directors for services in their capacity as directors of SKYCITY Entertainment Group Limited during the year ended 30 June 2010 is as listed below:

R H McGeoch (Chairman)	\$200,000
P D Cullinane	\$100,000
J L Freeman ⁽¹⁾	\$78,878
P B Harman	\$104,792
C J D Moller	\$125,000
Sir Dryden Spring	\$101,917
E Toime ⁽²⁾	\$33,333

(1) J L Freeman resigned as a director on 5 March 2010.

(2) E Toime retired as a director on 30 October 2009. In addition to remuneration paid for services in his capacity as a director, he was paid \$149,655.59 as a retirement payment (as previously accrued) in October 2009 following retirement from the board. See page 52 of this annual report for further details.

No other non-executive director of the Group or parent company has, since the end of the financial year, received or become entitled to receive a benefit other than director's fees for the 2009/2010 financial year or reimbursement of expenses incurred in relation to company matters, or as is disclosed elsewhere in this annual report.

Other Directorships

Christchurch Casinos Limited, in which SKYCITY has a 45.7% interest, paid director's fees of \$40,000 each for A B Ryan and N B Morrison. These fees were paid to SKYCITY and were not received personally by either Messrs Ryan or Morrison.

Queenstown Casinos Limited, in which SKYCITY has a 60% interest, paid director's fees of \$7,500 each for A B Ryan and N B Morrison. These fees were paid to SKYCITY and were not received personally by either Messrs Ryan or Morrison.

EMPLOYEE REMUNERATION

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of \$100,000 and was paid to those employees during the financial year ended 30 June 2010, are listed below.

Remuneration includes salary, incentive payments under the SKYCITY performance pay incentive plan and short term cash bonuses and, where applicable, the value of executive share options, rights and shares expensed during the year ended 30 June 2010. Remuneration shown below also includes settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the company.

REMUNERATION	EMPLOYEES
\$100,000-\$109,999	40
\$110,000-\$119,999	29
\$120,000-\$129,999	18
\$130,000-\$139,999	16
\$140,000-\$149,999	7
\$150,000-\$159,999	10
\$160,000-\$169,999	8
\$170,000-\$179,999	6
\$180,000-\$189,999	4
\$190,000-\$199,999	1
\$200,000-\$209,999	2
\$210,000-\$219,999	3
\$230,000-\$239,999	3
\$240,000-\$249,999	2
\$250,000-\$259,999	4
\$270,000-\$279,999	2
\$330,000-\$339,999	1
\$340,000-\$349,999	1
\$350,000-\$359,999	1
\$360,000-\$369,999	2
\$380,000-\$389,999	1
\$430,000-\$439,999	2
\$440,000-\$449,999	1
\$520,000-\$529,999	1
\$530,000-\$539,999	1
\$540,000-\$549,999	1
\$580,000-\$589,999	1
\$620,000-\$629,999	1
Total	169

DIRECTORS' DISCLOSURES

INTERESTS REGISTER

Disclosure of Directors' Interests

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. The following are particulars included in the company's Interests Register as at 30 June 2010 (notices given by directors during the year ended 30 June 2010 are marked with an asterisk):

R H McGeoch

Aon New Zealand Limited (previously Aon Risk Services Limited)	Member NSW Board of Advice
BGP Holdings plc (Malta)	Director*
BGP Investments S.a.r.l (Luxembourg)	Director*
Communica Pty Limited	Director*
McGeoch Holdings Pty Limited	Chairman
Ramsay Health Care Limited	Director
Sydney Cricket and Sports Ground Trust	Trustee
Telecom Corporation of New Zealand Limited	Director
Vantage Private Equity Growth Limited	Chairman

P D Cullinane

Assignment Group New Zealand Limited	Director
Low Flying Kiwis Limited	Director and Shareholder*
STW Communications Group Limited	Director*
The Antipodes Water Company Limited	Director
Talk Me Into It Limited	Director

P B Harman

G R Media Holdings Limited and certain subsidiaries	Director*
Harman Consulting Limited	Director*
Harman Investments Limited	Director*
Metlifecare Limited	Director

C J D Moller

Meridian Energy Limited	Director
New Zealand Cricket (Inc.)	Director
New Zealand Transport Agency	Chairman*
NZX Limited	Director
Rugby New Zealand 2011 Limited	Director
Synlait Limited	Director
Victoria University of Wellington Foundation	Trustee
Westpac Regional Stadium Trust	Trustee*

Sir Dryden Spring

ANZ National Bank Limited	Chairman
Fletcher Building Limited	Director
New Zealand Business and Parliament Trust	Trustee
Northport Limited	Alternate Director* ⁽¹⁾
Port of Tauranga Limited	Director
Visy Industries	Member of Advisory Board

(1) Sir Dryden Spring resigned as a director of Northport Limited on 8 October 2009 but continues to be an alternate director of that company.

The following details included in the Interests Register as at 30 June 2009, or entered during the year ended 30 June 2010, have been removed during the year ended 30 June 2010:

- P D Cullinane's interest as a director of each of South Sea Trading Company Limited, Thorpe, Grieve, Cullinane, Hall Limited and Viva Cuba Limited.
- P B Harman's interest as a director and shareholder of HT Media Holdings Limited and certain of its subsidiaries.
- P B Harman is no longer a director of Broadcast Production Services Limited and is no longer a director and shareholder of The New Zealand Wine Fund Limited.
- C J D Moller is no longer a director of National Foods Pty Limited.

DIRECTORS' AND OFFICERS' INDEMNITIES

Indemnities have been given to directors and senior managers of the company and its subsidiaries to cover acts or omissions of those persons in carrying out their duties and responsibilities as directors and senior managers.

DIRECTORS' DISCLOSURES

CONTINUED

DISCLOSURE OF DIRECTORS' INTEREST IN SHARE TRANSACTIONS

Directors disclosed, pursuant to section 148 of the New Zealand Companies Act 1993, the following acquisitions and disposals of relevant interests in SKYCITY shares during the period to 30 June 2010:

	DATE OF ACQUISITION/DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
P B Harman	24 August 2009 ⁽¹⁾	\$9,900	3,000
	10 March 2010 ⁽²⁾	\$16,300	5,000
	12 March 2010 ⁽¹⁾	\$6,440	2,000
N B Morrison	1 March 2010	Nil ⁽³⁾	200,000
	19 March 2010 ⁽⁴⁾	\$1,200,000	366,300

(1) Shares held by Investment Custodial Services Limited.

(2) Shares held by Forbar Nominees Limited.

(3) Shares acquired pursuant to the conversion of convertible rights under the Chief Executive Officer Commencement Grant Convertible Rights Plan.

(4) Shares acquired under the Chief Executive Officer Long Term Incentive Plan 2009 and held by Public Trust.

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES, OPTIONS AND CAPITAL NOTES

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2010:

	SHARES BENEFICIALLY HELD
R H McGeoch	48,091 ⁽¹⁾
P B Harman	22,253 ⁽²⁾
	5,000 ⁽³⁾
C J D Moller	26,915 ⁽⁴⁾
N B Morrison	82,233 ⁽⁵⁾
	200,000
	366,300 ⁽⁶⁾
	491,132 ⁽⁷⁾
Sir Dryden Spring	11,381
	15,919 ⁽⁸⁾

(1) Shares held by McGeoch Holdings Pty Limited.

(2) Shares held by Forbar Nominees Limited.

(3) Shares held by Investment Custodial Services Limited

(4) Shares held by First NZ Capital Limited.

(5) Shares held by Perpetual Limited.

(6) Shares held by Public Trust.

(7) Share rights acquired under the Chief Executive Officer Long Term Incentive Plan 2008.

(8) Shares held by the Spring Family Trust.

P D Cullinane did not have any relevant interest in SKYCITY shares as at 30 June 2010.

No directors held any interest in the capital notes of the company as at 30 June 2010.

NOTEHOLDER INFORMATION

CAPITAL NOTES

In May 2000, SKYCITY Entertainment Group Limited issued 150 million unsecured subordinated capital notes for a five year term at an issue price of \$1.00. In May 2005, the capital notes were reissued for a new term of five years at a fixed interest rate of 8.0% per annum. In May 2010, the capital notes were reissued for a further term of five years at a fixed interest rate of 7.25% per annum. For further information refer note 18 of the financial statements.

As at 19 August 2010, SKYCITY was the holder of 102,957,500 capital notes as treasury stock. The capital notes held by SKYCITY are not included in the table below.

TWENTY LARGEST CAPITAL NOTEHOLDERS AS AT 19 AUGUST 2010

	NUMBER OF CAPITAL NOTES	% OF CAPITAL NOTES
1. FNZ Custodians Limited	2,274,000	1.52%
2. Investment Custodial Services Limited	1,236,000	0.82%
3. Custodial Services Limited	811,000	0.54%
4. Invercargill Licensing Trust	500,000	0.33%
5. Frimley Foundation	300,000	0.20%
6. H B Williams Turanga Trust	300,000	0.20%
7. John Archer & Pearl Archer	200,000	0.13%
8. Michael David Domett	200,000	0.13%
9. Hugh McCracken Ensor & Vivienne Margaret Ensor	200,000	0.13%
10. Fraser Smith Holdings Limited	200,000	0.13%
11. Gayworth Properties Limited	200,000	0.13%
12. Nigel High & Hsiao Ming High	200,000	0.13%
13. JBWere (NZ) Nominees Limited	200,000	0.13%
14. John Richard Matthews & Rosemary Jennifer Matthews & Bruce Redvers Perkins	200,000	0.13%
15. Penthaven Holdings Limited	200,000	0.13%
16. Glennis Olive Pettigrew & Frederick Anthony Girvan	200,000	0.13%
17. Custodial Services Limited	180,000	0.12%
18. Shangri La Investments Limited	175,000	0.12%
19. Ronald Ramsay Trotter & Margaret Patricia Trotter	171,000	0.11%
20. Audrey Joan Haughie & John Joseph Haughie	160,000	0.11%
Total	8,107,000	5.40%

DISTRIBUTION OF CAPITAL NOTE HOLDINGS AS AT 19 AUGUST 2010

	NUMBER OF NOTEHOLDERS	NUMBER OF CAPITAL NOTES
1 - 1,000	1	250
1,001 - 5,000	226	1,130,000
5,001 - 10,000	404	3,741,500
10,001 - 100,000	962	31,508,750
> 100,000	40	113,619,500
Total	1,633	150,000,000

SKYCITY ACES INFORMATION

SKYCITY ACES

In October 2005, SKYCITY Investments Australia Limited issued in Australia 1.5 million unsecured subordinated perpetual reset exchangeable securities (SKYCITY ACES) at an issue price of A\$100 per note. SKYCITY ACES offer holders a fully franked variable rate coupon until the first reset date on 15 December 2010. For further information refer note 19 of the financial statements.

TWENTY LARGEST SKYCITY ACES HOLDERS AS AT 19 AUGUST 2010

	NUMBER OF SKYCITY ACES	% OF SKYCITY ACES
1. J P Morgan Nominees Australia Limited	280,636	18.71%
2. UBS Nominees Pty Ltd	279,022	18.60%
3. Citicorp Nominees Pty Limited	150,039	10.00%
4. Cogent Nominees Pty Limited	121,447	8.10%
5. Brispot Nominees Pty Ltd	75,052	5.00%
6. National Nominees Limited	65,000	4.33%
7. ANZ Nominees Limited	50,375	3.36%
8. HSBC Custody Nominees (Australia) Limited – A/C 2	44,909	2.99%
9. Cogent Nominees Pty Limited	37,369	2.49%
10. Avanteos Investments Limited	25,848	1.72%
11. RBC Dexia Investor Services Australia Nominees Pty Limited	22,500	1.50%
12. Citicorp Nominees Pty Limited	21,790	1.45%
13. Pan Australian Nominees Pty Limited	21,722	1.45%
14. Buttonwood Nominees Pty Ltd	20,829	1.39%
15. UBS Wealth Management Australia Nominees Pty Ltd	17,834	1.19%
16. Roaring Lion Pty Ltd	15,000	1.00%
17. M F Custodians Ltd	11,873	0.79%
18. RBC Dexia Investor Services Australia Nominees Pty Limited	11,550	0.77%
19. Perpetual Trustee Company Ltd	10,000	0.67%
20. ANZ Trustees Limited	6,617	0.44%
Total	1,289,412	85.95%

DISTRIBUTION OF SKYCITY ACES HOLDINGS AS AT 19 AUGUST 2010

	NUMBER OF SKYCITY ACES HOLDERS	NUMBER OF SKYCITY ACES
1 – 1,000	498	117,601
1,001 – 5,000	37	76,575
5,001 – 10,000	5	33,029
10,001 – 100,000	14	441,651
> 100,000	4	831,144
Total	558	1,500,000

COMPANY DISCLOSURES

STOCK EXCHANGE LISTINGS

SKYCITY Entertainment Group Limited is listed on both the New Zealand and Australian stock exchanges.

SKYCITY Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 63 and 64 of this annual report.

SKYCITY ENTERTAINMENT GROUP LIMITED

E Toime retired as a director of SKYCITY Entertainment Group Limited on 30 October 2009.

J L Freeman resigned as a director of SKYCITY Entertainment Group Limited on 5 March 2010.

SUBSIDIARY COMPANIES

Liquidation of Subsidiary Company

SKYCITY International ApS was liquidated and dissolved on 22 June 2010.

Sale of Subsidiary Companies

The following subsidiary companies were sold and transferred to a third party in connection with the sale of the company's cinema business in February 2010:

SKYCITY Cinema Holdings Limited
SKYCITY Cinemas Limited
SKYCITY Cinemas New Plymouth Limited
SKYCITY Cinemas Nominees Limited
SKYCITY Cinemas Queen Street Nominees Limited
SKYCITY Distribution Limited
SKYCITY Cinemas (Fiji) Limited

Changes to Subsidiary Company Directorships

The changes to subsidiary company directorships during the 12 month period ended 30 June 2010 are set out below:

- E Toime retired as a director of SKYCITY Investments Australia Limited on 30 October 2009.
- J L Freeman resigned as a director of SKYCITY Investments Australia Limited on 5 March 2010.

Subsidiary Company Directorships

The following persons held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2010 financial year, being 30 June 2010:

- Directors: N B Morrison and P A Treacy:
Planet Hollywood (Civic Centre) Limited
SKYCITY Action Management Limited
SKYCITY Auckland Holdings Limited
SKYCITY Auckland Limited
SKYCITY Casino Management Limited
SKYCITY Hamilton Limited
SKYCITY International Holdings Limited
SKYCITY Investments Christchurch Limited
SKYCITY Investments Queenstown Limited
SKYCITY Management Limited
SKYCITY Metro Limited
SKYCITY Wellington Limited
Sky Tower Limited
Toptown Nominees Limited
- Directors: D D Christian, N B Morrison, P A Treacy and R H McGeoch:
SKYCITY Adelaide Pty Limited
SKYCITY Australia Finance Pty Limited
SKYCITY Australia Pty Limited
SKYCITY Treasury Australia Pty Limited
- Directors: N B Morrison, P A Treacy and T A K Wilson:
SKYCITY Darwin Pty Limited
- Directors: A B Ryan, N B Morrison, P A Treacy (as alternate) (all SKYCITY representatives on the board), P J Hensman and B C Thomas:
Queenstown Casinos Limited
- Directors: R H McGeoch, P D Cullinane, P B Harman, C J D Moller, N B Morrison and Sir Dryden Spring:
SKYCITY Investments Australia Limited

Non-wholly Owned Company Directorships

At 30 June 2010, SKYCITY also had an interest in, and was represented by SKYCITY executives on the boards of, the companies listed below:

- SKYCITY representatives on the board – N B Morrison and A B Ryan:
Christchurch Hotels Limited
Premier Hotels (Christchurch) Limited
- SKYCITY representatives on the board – N B Morrison, A B Ryan and P A Treacy (as alternate):
Christchurch Casinos Limited
- SKYCITY representative on the board – N B Morrison:
Force Location Limited

OTHER INFORMATION

WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

The following waivers from the NZX and ASX Listing Rules were either granted and published by NZX Limited (NZX) or ASX Limited (ASX) (as the case may be) within, or relied upon by the company during, the 12 month period preceding the date two months before the date of this annual report:

- On 8 October 2009, NZX granted a waiver from LR 6.2.2 (relating to the requirement for a notice of meeting to be accompanied by an appraisal report) in relation to the company's new Chief Executive Officer Long Term Incentive Plan approved by shareholders at the 2009 annual meeting.

All other waivers granted prior to the 12 month period preceding the date two months before the date of this annual report had ceased to have effect or were not relied upon during the period.

DISCRETIONS EXERCISED BY NZX AND ASX

NZX granted a trading halt from the close of business on 24 March 2010 in relation to the rollover of the capital notes issued by SKYCITY Entertainment Group Limited and quoted on the New Zealand stock exchange. The capital notes recommenced trading on 18 May 2010.

SHARE AND SHARE RIGHTS HOLDERS

As at 6 September 2010, shares and share rights on issue were as detailed below:

- 333,000 share rights issued under the Executive Share Rights Plan 2005 approved by directors of the company in December 2004, held by 5 holders. The share rights have no voting rights but each share right entitles the holder to a number of shares on exercise calculated according to a formula set out in the plan, based on the difference between the market price for the company's shares on the NZSX and the exercise value for the share right (calculated in accordance with the Plan). As at 6 September 2010, the exercise value per right (which escalates by the cost of equity less distributions) was \$7.12;
- 491,132 share rights issued under the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the 2008 annual meeting, held by the Chief Executive Officer. Share rights are granted under the Chief Executive Officer Long Term Incentive Plan and, if exercisable, may be exercised at no cost. If exercised, each share right corresponds to one SKYCITY share. Share rights only become exercisable when performance hurdles set by the board of directors are met;
- 600,000 share rights issued under the Executive Long Term Incentive Plan approved by directors in December 2008, held by 10 holders. Share rights are granted under the Executive Long Term Incentive Plan and, if exercisable, may be exercised at no cost. If exercised, each share right corresponds to one SKYCITY share. Share rights only become exercisable when performance hurdles set by the board of directors are met;

- 782,245 shares issued under the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the 2009 annual meeting, held by Public Trust on behalf of the Chief Executive Officer. The shares have been purchased by Mr Morrison under the Chief Executive Officer Long Term Incentive Plan with the assistance of interest-free loans and are held on behalf of Mr Morrison by Public Trust for a restrictive period. The shares vest in Mr Morrison only when performance hurdles set by the board of directors are met; and
- 593,875 shares issued under the Executive Long Term Incentive Plan approved by directors in September 2009, held by Public Trust on behalf of 14 participants. The shares have been purchased by the participants under the Executive Long Term Incentive Plan with the assistance of interest-free loans and are held on behalf of the participants by Public Trust for a restrictive period. The relevant shares vest in a participant only when performance hurdles set by the board of directors are met.

LIMITATIONS ON ACQUISITION OF ORDINARY SHARES

The company's constitution contains various provisions which are included to take into account the application of:

- the Gambling Act 2003 (New Zealand);
- the Casino Act 1997 (South Australia);
- the Gaming Control Act (Northern Territory); and
- the legislation providing for the establishment, operation and regulation of casinos in any other jurisdiction in which SKYCITY or any of its subsidiaries may hold a casino licence.

SKYCITY needs to ensure when it participates in gaming activities that:

- it has the power under its constitution to take such action as may be necessary to ensure that its suitability to do so in a particular jurisdiction is not affected by the identity or actions (including share dealings) of a shareholder; and
- there are appropriate protections to ensure that persons do not gain positions of significant influence or control over SKYCITY or its business activities without obtaining any necessary statutory or regulatory approvals in those jurisdictions.

Accordingly, the constitution contains the following provisions restricting the acquisition of shares in the company to achieve this.

TRANSFER OF SHARES

Clause 12.11 of the constitution provides that if a transfer of shares results in the transferee, and the persons associated with that transferee:

- holding more than 5% of the shares in SKYCITY; or
- increasing their combined holding further beyond 5% if:

OTHER INFORMATION

CONTINUED

- they already hold more than 5% of the shares in SKYCITY; and
- the transferee has not been approved by the relevant regulatory authority as an associated casino person of any casino licence holder,

then the votes attaching to all shares held by the transferee and the persons associated with that transferee are suspended unless and until either:

- each regulatory authority advises that approval is not needed; or
- any regulatory authority which determines that its approval is required approves the transferee, together with the persons associated with that transferee, as an associated casino person of any applicable casino licence holder; or
- the board of the company is satisfied that registration of the proposed transfer will not prejudice any casino licence; or
- the transferee and the persons associated with that transferee dispose of such number of SKYCITY shares as will result in their combined holding falling below 5% or, if the regulatory authorities approve in respect of the transferee and the persons associated with that transferee a higher percentage, the lowest such percentage approved by the regulatory authorities.

If a regulatory authority does not grant its approval to the proposed transfer, SKYCITY may sell such number of the shares held by the transferee and by any persons associated with that transferee, as may be necessary to reduce their combined shareholding to a level that will not result in the transferee and the persons associated with that transferee being an associated person of that casino licence holder.

The power of sale can only be exercised if SKYCITY has given one month's notice to the transferee of its intention to exercise that power and the transferee has not, during that one month period, transferred the requisite number of shares in SKYCITY to a person who is not associated with the transferees.

DONATIONS

Donations of \$104,700 were made by the company during the 12 month period ended 30 June 2010 (\$174,091 during the 12 months ended 30 June 2009).

OTHER LEGISLATION/REQUIREMENTS

General limitations on the acquisition of the securities imposed by the jurisdiction in which SKYCITY is incorporated (i.e. New Zealand law) are outlined in the following paragraphs.

Other than the provisions noted on pages 63 and 64, the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeover, overseas investment and competition.

The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in SKYCITY, or the increase of an existing holding of 20% or more of the voting rights in SKYCITY, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition if a shareholder holds 90% or more of the shares in the company.

The New Zealand Overseas Investment Act 2005 and the Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required when an 'overseas person' acquires shares or an interest in shares in SKYCITY Entertainment Group Limited that amount to 25% or more of the shares issued by the company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in SKYCITY if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

OTHER DISCLOSURES

SKYCITY Entertainment Group Limited has no securities subject to an escrow arrangement.

There is not a current on-market share buy back programme for the company. From time to time, the Public Trust acquires shares in the company on-market for the purposes of the Chief Executive Officer Long Term Incentive Plan 2009 and Executive Long Term Incentive Plan 2009 as referred to above.

SKYCITY Entertainment Group Limited is incorporated in New Zealand and is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act (Australia).

There are no material differences between NZX Appendix 1 and ASX Appendix 4E issued by SKYCITY Entertainment Group Limited on 17 August 2010 in respect of the year ended 30 June 2010 and this annual report.

SKYCITY Entertainment Group Limited has a Standard & Poor's BBB- rating with Positive Outlook.

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www.skycityentertainmentgroup.com

