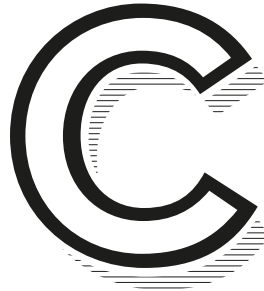


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ANNUAL REPORT YEAR ENDED 30 JUNE 2012





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ANNUAL MEETING

The 2012 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 19 October 2012, commencing at 10.00am.

This report is dated 17 September 2012 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:

Rod McGeoch
Chairman

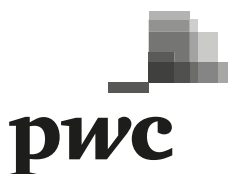
Chris Moller
Director

FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED 30 JUNE 2012



INDEPENDENT AUDITORS' REPORT



to the shareholders of SKYCITY Entertainment Group Limited

Report on the Financial Statements

We have audited the financial statements of SKYCITY Entertainment Group Limited ("the Company") on pages 4 to 46, which comprise the balance sheets as at 30 June 2012, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2012 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, SKYCITY Entertainment Group Limited or any of its subsidiaries other than in our capacities as auditors and providers of accounting, tax, other assurance and advisory services. These services have not impaired our independence as auditors of the Company and the Group.

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INDEPENDENT AUDITORS' REPORT

CONTINUED

Opinion

In our opinion, the financial statements on pages 4-46:

- (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 the Group as at 30 June 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

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.



Chartered Accountants
15 August 2012

Auckland

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Total receipts including GST	3	960,203	902,381	-	-
Less non-gaming GST	3	(26,398)	(22,562)	-	-
Gaming win plus non-gaming revenue	3	933,805	879,819	-	-
Less gaming GST	3	(82,275)	(76,674)	-	-
Revenue	3	851,530	803,145	-	-
Revenue	3	851,530	803,145	-	-
Other income	4	1,928	1,261	110,178	100,133
Shares of net profits of associates		5,447	5,976	-	-
Employee benefits expense		(276,642)	(260,676)	(22,117)	(18,458)
Other expenses	5	(100,354)	(92,623)	(3,782)	(6,391)
Direct consumables		(62,190)	(52,607)	-	-
Gaming taxes and levies		(64,039)	(61,275)	-	-
Marketing and communications		(49,909)	(44,886)	(441)	(1,197)
Directors' fees		(1,034)	(741)	(1,034)	(741)
Depreciation and amortisation expense	5	(72,770)	(69,710)	(5,561)	(5,958)
Restructuring costs	5	(4,274)	(3,298)	(2,093)	-
Finance costs - net	6	(48,861)	(43,772)	(4,171)	(3,908)
Impairment of Christchurch Casino	15	-	(15,000)	-	-
Profit before income tax		178,832	165,794	70,979	63,480
Tax expense pre 2010 Government Budget changes	7	(39,962)	(48,226)	-	-
Profit for the year before tax expense relating to 2010 Government Budget changes		138,870	117,568	70,979	63,480
Tax expense relating to 2010 Government Budget changes		-	5,435	-	-
Profit for the year		138,870	123,003	70,979	63,480
Income tax expense		(39,962)	(42,791)	-	-
Attributable to:					
Profit attributable to shareholders of the company		138,534	122,960	70,979	63,480
Non controlling interest	24	336	43	-	-
		138,870	123,003	70,979	63,480
	NOTES	CENTS	CENTS		
Earnings per share for profit attributable to the shareholders of the company:					
Basic earnings per share	8	24.0	21.4		
Diluted earnings per share	8	23.8	20.9		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the year		138,870	123,003	70,979	63,480
Other comprehensive income					
Exchange differences on translation of overseas subsidiaries	23	(4,517)	5,397	-	-
Movement in cash flow hedges	23	(1,375)	(13,733)	593	(593)
Income tax relating to components of other comprehensive income	23	360	4,133	(166)	166
Other comprehensive income for the year		(5,532)	(4,203)	427	(427)
Total comprehensive income for the year, net of tax		133,338	118,800	71,406	63,053
Total comprehensive income for the year is attributable to:					
Shareholders of the company		133,002	118,757		
Non controlling interest	24	336	43		
		133,338	118,800		

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

BALANCE SHEETS

AS AT 30 JUNE 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
ASSETS					
Current assets					
Cash and bank balances	9	41,400	104,577	1	1
Receivables and prepayments	10	26,974	30,900	153,629	87,376
Inventories		6,876	6,970	-	-
Tax prepayment	11	35,503	36,637	-	-
Derivative financial instruments	12	480	272	-	-
Total current assets		111,233	179,356	153,630	87,377
Non-current assets					
Tax prepayment	11	31,550	27,789	-	-
Property, plant and equipment	13	1,064,418	991,331	7,532	7,054
Investment in subsidiaries	30	-	-	618,775	618,775
Intangible assets	14	410,645	410,412	10,031	10,696
Investments in associates	15	75,266	73,782	-	-
Derivative financial instruments	12	23,154	-	-	-
Total non-current assets		1,605,033	1,503,314	636,338	636,525
Total assets		1,716,266	1,682,670	789,968	723,902
LIABILITIES					
Current liabilities					
Payables	16	107,186	110,851	344,768	250,997
Interest bearing liabilities	17	-	247,267	-	-
Current tax liabilities	11	7,972	5,349	-	-
Derivative financial instruments	12	664	10,102	-	113
Total current liabilities		115,822	373,569	344,768	251,110
Non-current liabilities					
Interest bearing liabilities	18	604,902	350,202	-	-
Subordinated debt - capital notes	19	56,414	56,400	56,414	56,400
Deferred tax liabilities	20	84,571	94,290	-	-
Derivative financial instruments	12	45,415	33,393	-	-
Total non-current liabilities		791,302	534,285	56,414	56,400
Total liabilities		907,124	907,854	401,182	307,510
Net assets		809,142	774,816	388,786	416,392
EQUITY					
Share capital	22	727,598	728,616	727,598	728,616
Reserves	23(a)	(1,850)	3,682	-	(427)
Retained profits/(losses)	23(b)	81,690	41,150	(338,812)	(311,797)
Parent entity interest		807,438	773,448	388,786	416,392
Non controlling interest	24	1,704	1,368	-	-
Total equity		809,142	774,816	388,786	416,392

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVES \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED PROFITS \$'000	MINORITY INTEREST \$'000	TOTAL EQUITY \$'000
CONSOLIDATED							
Balance as at 1 July 2010		732,910	(2,740)	10,625	17,397	1,325	759,517
Total comprehensive income/(expense)		-	(9,600)	5,397	122,960	43	118,800
Dividends	25	-	-	-	(99,207)	-	(99,207)
Shares issued under dividend reinvestment plan	22	6,101	-	-	-	-	6,101
Share rights issued for employee services	22	1,047	-	-	-	-	1,047
Net purchase of treasury shares	22	(11,442)	-	-	-	-	(11,442)
Balance as at 30 June 2011		728,616	(12,340)	16,022	41,150	1,368	774,816
Balance as at 1 July 2011		728,616	(12,340)	16,022	41,150	1,368	774,816
Total comprehensive income/(expense)		-	(1,015)	(4,517)	138,534	336	133,338
Dividends	25	-	-	-	(97,994)	-	(97,994)
Shares issued under dividend reinvestment plan	22	4,736	-	-	-	-	4,736
Share rights issued for employee services	22	1,426	-	-	-	-	1,426
Net purchase of treasury shares	22	(7,180)	-	-	-	-	(7,180)
Balance as at 30 June 2012		727,598	(13,355)	11,505	81,690	1,704	809,142
PARENT							
Balance as at 1 July 2010		732,910	-		(276,070)		456,840
Total comprehensive income/(expense)		-	(427)		63,480		63,053
Shares issued under dividend reinvestment plan	22	6,101	-		-		6,101
Dividends	25	-	-		(99,207)		(99,207)
Share rights issued for employee services	22	1,047	-		-		1,047
Net purchase of treasury shares	22	(11,442)	-		-		(11,442)
Balance as at 30 June 2011		728,616	(427)		(311,797)		416,392
Balance as at 1 July 2011		728,616	(427)		(311,797)		416,392
Total comprehensive income/(expense)		-	427		70,979		71,406
Shares issued under dividend reinvestment plan	22	4,736	-		-		4,736
Dividends	25	-	-		(97,994)		(97,994)
Share rights issued for employee services	22	1,426	-		-		1,426
Net purchase of treasury shares	22	(7,180)	-		-		(7,180)
Balance as at 30 June 2012		727,598	-		(338,812)		388,786

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 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash flows from operating activities					
Receipts from customers		854,348	795,231	-	-
Payments to suppliers and employees		(490,574)	(469,413)	(25,785)	(26,204)
		363,774	325,818	(25,785)	(26,204)
Dividends received		3,968	747	-	-
Interest received		167	192	-	-
Gaming tax paid		(56,841)	(54,896)	-	-
Income taxes paid		(49,325)	(62,496)	-	-
Net cash inflow / (outflow) from operating activities	33	261,743	209,365	(25,785)	(26,204)
Cash flows from investing activities					
Purchase of/proceeds from property, plant and equipment		(153,689)	(74,822)	-	-
Payments for intangible assets		(11,008)	(1,893)	-	-
Loan repayment from Christchurch Hotels Limited		1,110	194	-	-
Dividend from subsidiaries		-	-	110,178	100,133
Net cash (outflow) / inflow from investing activities		(163,587)	(76,521)	110,178	100,133
Cash flows from financing activities					
Cash flows associated with derivatives	12	11,283	(20,884)	-	-
Repayment of borrowings		(264,450)	(362,359)	-	-
New borrowings		241,314	401,799	-	9,408
Advances from subsidiaries	29	-	-	19,700	25,547
Net purchase of treasury shares	22	(7,180)	(11,442)	(7,180)	(11,442)
Dividends paid to company shareholders		(93,258)	(93,106)	(93,258)	(93,106)
Interest paid		(49,042)	(44,781)	(3,655)	(4,336)
Net cash (outflows) from financing activities		(161,333)	(130,773)	(84,393)	(73,929)
Net (decrease) / increase in cash and bank balances		(63,177)	2,071	-	-
Cash and bank balances at the beginning of the year		104,577	102,506	1	1
Cash and cash equivalents at end of year	9	41,400	104,577	1	1

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 15 August 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ended 30 June 2012 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 2012 and the results of all subsidiaries 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 a small negative working capital balance. The Group has significant available undrawn banking facilities totalling \$340 million as at 30 June 2012 (refer to note 18) and has the ability to fully pay all debts as they fall due.

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 (New Zealand).

Measurement Basis

These financial statements have been prepared under the historical cost convention, as modified by the revaluation 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. Estimates are used in the following areas: impairment testing of goodwill, indefinite life casino licences and assessing the 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 (refer note 20). Certain judgements are made in calculating these temporary differences.

(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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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.

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.

Non controlling 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 less any impairment 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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(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. Gaming revenues represent the net gaming 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.

(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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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.

Collectibility 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 and loans and receivables. 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).

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

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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 and fit-out 5-75 years
- Plant and equipment 2-75 years
- Motor 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 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 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.

(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 - now redeemed), 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

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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) Statement of Cash Flows

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 2012 or later periods, but which the Group has not early adopted. The significant items are:

- **NZ IFRS 9, Financial Instruments** (effective from annual periods beginning on or after 1 January 2015). This standard replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

All financial assets are required to be classified into two measurement categories: at fair value and at amortised cost. The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, the standard retains most of the IAS 39 requirements. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income.

This standard is not expected to significantly impact the Group.

- **NZ IFRS 13, Fair value measurement** (effective from annual periods beginning on or after 1 January 2013). NZ IFRS 13 replaces the fair value measurement guidance contained in individual NZ IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other NZ IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. This standard is not expected to significantly impact the Group.

(z) New Accounting Standards Adopted in the Year

There have been no significant changes in accounting policies during the current year. Accounting policies have been applied on a basis consistent with prior year.

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3 REVENUE

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Total receipts including GST	960,203	902,381	-	-
Less non-gaming GST	(26,398)	(22,562)	-	-
Gaming win plus non-gaming revenue	933,805	879,819	-	-
Less gaming GST	(82,275)	(76,674)	-	-
Total revenue	851,530	803,145	-	-
Gaming	658,713	628,051	-	-
Non-gaming	192,817	175,094	-	-
Total revenue	851,530	803,145	-	-

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 \$11,621,000 (30 June 2011: \$10,486,000).

Included within consolidated non-gaming revenue is revenue relating to loyalty action points of \$266,000 (30 June 2011: \$306,000).

Gaming win represents the gross cash inflows associated with gaming activities. "Total receipts including GST" and "Gaming win plus non-gaming revenue" do not represent revenue as defined by NZ IAS 18 Revenue. The Group has decided to disclose these amounts as they give shareholders and interested parties a better appreciation for the scope of the Group's gaming activities and is consistent with industry practice adopted by casino operations in Australia.

4 OTHER INCOME

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Net gain on disposal of property, plant and equipment	1,756	1,065	-	-
Interest income - Christchurch Hotels Limited	167	192	-	-
Dividend income	5	4	-	-
Dividends from wholly-owned entities	-	-	110,178	100,133
	1,928	1,261	110,178	100,133

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5 EXPENSES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	24,777	24,198	-	-
Plant and equipment	34,215	31,402	2,593	2,125
Fixtures and fittings	7,366	6,834	-	-
Motor vehicles	400	404	-	-
Total depreciation	66,758	62,838	2,593	2,125
Amortisation				
Casino licences (Adelaide)	2,682	2,736	-	-
Computer software	3,330	4,136	2,968	3,833
Total amortisation	6,012	6,872	2,968	3,833
Total depreciation and amortisation	72,770	69,710	5,561	5,958
Other expenses includes:				
Utilities, insurance and rates	21,683	19,616	99	106
Community Trust donations	3,143	3,185	-	-
Minimum lease payments relating to operating leases	4,535	4,408	-	-
Other property expenses	16,045	15,302	-	-
Other items (including International commissions)	54,905	50,031	3,683	6,285
Provision for bad and doubtful debts	43	81	-	-
	100,354	92,623	3,782	6,391
Restructuring costs				
Redundancy and other staff payments	2,581	2,471	2,093	-
Other restructuring costs	1,693	827	-	-
	4,274	3,298	2,093	-
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.				
(a) Assurance services				
Audit services				
PricewaterhouseCoopers				
Audit of Group financial statements	418	400	418	400
Audit of subsidiary financial statements	92	94	-	-
Half year review	84	80	84	80
Total remuneration for audit services	594	574	502	480
Other assurance services provided by PricewaterhouseCoopers				
Accounting advice and assistance	85	75	85	75
Systems assurance	75	-	-	-
Tax compliance services	91	73	40	45
Total remuneration for other assurance services	251	148	125	120
Total remuneration for assurance services	845	722	627	600

NOTES TO THE FINANCIAL STATEMENTS

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	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(b) Other services				
PricewaterhouseCoopers				
Taxation and other advisory services	266	318	169	168
Total remuneration for taxation services	266	318	169	168
Total fees paid or payable to auditors	1,111	1,040	796	768

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

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Finance costs</i>				
Interest and finance charges	53,167	50,280	4,171	3,908
Exchange gains	(582)	(2,105)	-	-
Interest income	(3,724)	(2,783)	-	-
Gain on funding reorganisation (note 18)	-	(1,620)	-	-
Total finance costs	48,861	43,772	4,171	3,908

7 INCOME TAX EXPENSE

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Income Tax Expense				
Current tax	49,176	39,570	-	-
Deferred tax	(9,214)	3,221	-	-
	39,962	42,791	-	-
Deferred tax (note 20)				
Origination and reversal of temporary differences	(9,214)	8,656	-	-
Change in New Zealand corporate tax rate and building depreciation	-	(5,435)	-	-
Total deferred tax	(9,214)	3,221	-	-

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7 INCOME TAX EXPENSE (continued)

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable				
Profit from continuing operations before income tax expense	178,832	165,794	70,979	63,480
Tax at the New Zealand tax rate of 28% (2011: 30%)	50,073	49,738	19,874	19,044
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Inter-company eliminations	-	-	10,830	10,909
Net non-deductible items	1,491	1,427	146	87
Share of net profit of associates	(1,525)	(1,793)	-	-
Impairment of Christchurch Casino	-	4,500	-	-
Foreign exchange rate differences	1,336	1,591	-	-
Exempt dividends received	-	-	(30,850)	(30,040)
Share of partnership expenditure	(7,071)	(7,180)	-	-
Tax losses not previously recognised	(284)	(27)	-	-
Differences in overseas tax rates	773	-	-	-
Over provision in prior years	(4,831)	(30)	-	-
Tax expense pre Government Budget changes	39,962	48,226	-	-
Change in New Zealand tax building depreciation	-	(5,522)	-	-
Change in New Zealand corporate tax rate	-	87	-	-
Tax expense relating to Government Budget changes	-	(5,435)	-	-
Income tax expense	39,962	42,791	-	-

The weighted average applicable tax rate was 22.3% (2011: 25.8%) (excluding the impact of building tax depreciation changes and Christchurch Casinos impairment 22.3% (2011: 26.7%)).

The New Zealand corporate tax rate reduced from 30% to 28% and tax depreciation for buildings with an estimated life of 50 or more years was disallowed. Both of these changes were effective for the Group from 1 July 2011. The initial impact of these changes (\$39,700,000) was included within the 2010 results. A \$5,435,000 partial reversal in 2011 relates to adjustments to the 2010 estimated impact.

NOTES TO THE FINANCIAL STATEMENTS

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8 EARNINGS PER SHARE

	CONSOLIDATED	
	2012 CENTS	2011 CENTS
Basic earnings per share		
Profit for the year before tax expense relating to Government Budget changes and Christchurch Casino impairment	24.0	23.0
Profit attributable to the ordinary equity holders of the company	24.0	21.4
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	23.8	20.9

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

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Basic earnings per share		
Profit from continuing operations	138,870	123,003
Profit attributable to minority interests	(336)	(43)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	138,534	122,960
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	138,534	122,960
Interest savings on capital notes	4,160	3,837
Interest savings on SKYCITY ACES	-	4,476
Tax on the above	(1,165)	(2,494)
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	141,529	128,779

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

	CONSOLIDATED	
	2012 NUMBER	2011 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	576,958,340	575,574,000
<i>Adjustments for calculation of diluted earnings per share:</i>		
SKYCITY ACES	-	25,622,391
Capital notes	16,592,208	14,501,611
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	593,550,548	615,698,002

(c) Information concerning the classification of Securities**(i) SKYCITY ACES**

The SKYCITY ACES were considered to be potential ordinary shares in 2011 and were therefore included in the determination of diluted earnings per share.

(ii) Capital Notes

Capital notes are considered to be potential ordinary shares and are therefore included in the determination of diluted earnings per share from their date of issue. The capital notes have not been included in the determination of basic earnings per share. Details relating to the capital notes are set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS

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9 CASH AND BANK BALANCES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank	2,538	55,690	1	1
Cash in house	38,862	48,887	-	-
	41,400	104,577	1	1

10 RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables	13,551	9,285	-	-
Advance to Christchurch Hotels Limited (note 29)	5,125	6,235	-	-
Sundry receivables	4,864	11,244	227	112
Prepayments	3,434	4,136	1,193	2,041
Amounts due from subsidiaries (note 30)	-	-	152,209	85,223
	26,974	30,900	153,629	87,376

There are no significant receivables past due date or impaired.

11 NET TAX RECEIVABLES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Tax prepayment - current	35,503	36,637	-	-
Tax prepayment- non current	31,550	27,789	-	-
Current tax liabilities	(7,972)	(5,349)	-	-
	59,081	59,077	-	-

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

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12 DERIVATIVE FINANCIAL INSTRUMENTS

	FAIR VALUE		NOTIONAL PRINCIPAL	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets				
Forward foreign currency contracts	480	272	50,576	6,911
Total current derivative financial instrument assets	480	272	50,576	6,911
Non-current assets				
Cross-currency interest rate swaps – cash flow hedges	23,154	-	258,548	-
Total non-current derivative financial instrument assets	23,154	-	258,548	-
Current liabilities				
Cross-currency interest rate swap – cash flow hedges*	519	4,981	31,876	83,227
Forward foreign currency contracts	145	113	13,018	5,785
Cross-currency interest rate swaps – fair value hedges*	-	1,998	-	19,492
Interest rate swaps – cash flow hedges	-	3,010	-	97,000
Total current derivative financial instrument liabilities	664	10,102	44,894	205,504
Non-current liabilities				
Interest rate swaps – cash flow hedges	42,877	14,514	396,705	399,184
Cross-currency interest rate swaps – cash flow hedges *	2,538	18,879	59,751	300,906
Total non-current derivative financial instrument liabilities	45,415	33,393	456,456	700,090

During the year, \$3,927,289 of losses (2011: \$3,545,228 gains) on hedged items were offset in the Income Statement by \$4,153,420 of gains (2011: \$3,739,485 losses) on derivatives in fair value hedging relationships.

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

* The comparative period fair value amounts are net of collateral payments made of \$11,283,153. 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. The collateral payment outstanding at 30 June 2011 was repaid during the current year, there are no collateral payments outstanding at 30 June 2012.

The parent has no derivatives at 30 June 2012 (2011: fair value of negative \$113,000).

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13 PROPERTY, PLANT AND EQUIPMENT

	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT AND EQUIPMENT \$'000	FIXTURES AND FITTINGS \$'000	MOTOR VEHICLES \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
CONSOLIDATED							
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
Movements in the year ended 30 June 2011							
Opening net book value	179,986	632,988	89,127	33,339	984	16,755	953,179
Exchange differences	959	8,185	1,893	317	28	652	12,034
Net additions/transfers	(992)	9,418	28,395	1,389	217	50,529	88,956
Depreciation charge	-	(24,198)	(31,402)	(6,834)	(404)	-	(62,838)
Closing net book value	179,953	626,393	88,013	28,211	825	67,936	991,331
At 30 June 2011							
Cost	179,953	826,639	390,080	102,810	2,520	67,936	1,569,938
Accumulated depreciation	-	(200,246)	(302,067)	(74,599)	(1,695)	-	(578,607)
Net book value	179,953	626,393	88,013	28,211	825	67,936	991,331
Movements in the year ended 30 June 2012							
Opening net book value	179,953	626,393	88,013	28,211	825	67,936	991,331
Exchange differences	(255)	(2,165)	(493)	(78)	(7)	(258)	(3,256)
Net additions/transfers	10,226	45,337	47,916	13,433	329	25,860	143,101
Depreciation charge	-	(24,777)	(34,215)	(7,366)	(400)	-	(66,758)
Closing net book value	189,924	644,788	101,221	34,200	747	93,538	1,064,418
At 30 June 2012							
Cost	189,924	864,635	350,639	98,191	2,697	93,538	1,599,624
Accumulated depreciation	-	(219,847)	(249,418)	(63,991)	(1,950)	-	(535,206)
Net book value	189,924	644,788	101,221	34,200	747	93,538	1,064,418

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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 2010			
Cost	28,171	2,655	30,826
Accumulated depreciation	(23,564)	-	(23,564)
Net book value	4,607	2,655	7,262
Movements in the year ended 30 June 2011			
Opening net book value	4,607	2,655	7,262
Net additions/transfers	3,839	(1,922)	1,917
Depreciation charge	(2,125)	-	(2,125)
Closing net book value	6,321	733	7,054
At 30 June 2011			
Cost	32,011	733	32,744
Accumulated depreciation	(25,690)	-	(25,690)
Net book value	6,321	733	7,054
Movements in the year ended 30 June 2012			
Opening net book value	6,321	733	7,054
Net additions/transfers	2,023	1,048	3,071
Depreciation charge	(2,593)	-	(2,593)
Closing net book value	5,751	1,781	7,532
At 30 June 2012			
Cost	27,496	1,781	29,277
Accumulated depreciation	(21,745)	-	(21,745)
Net book value	5,751	1,781	7,532

Borrowing costs of \$2,129,123 have been capitalised in the current year relating to the Auckland and Adelaide capital projects and Darwin resort (2011: \$346,722) 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 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
Movements in the year ended 30 June 2011				
Opening net book amount	151,949	231,850	13,427	397,226
Exchange differences	6,048	12,101	16	18,165
Additions	-	-	1,893	1,893
Amortisation charge	-	(2,736)	(4,136)	(6,872)
Closing net book amount	157,997	241,215	11,200	410,412
At 30 June 2011				
Cost	157,997	274,924	60,234	493,155
Accumulated amortisation	-	(33,709)	(49,034)	(82,743)
Net book amount	157,997	241,215	11,200	410,412
Movements in the year ended 30 June 2012				
Opening net book amount	157,997	241,215	11,200	410,412
Exchange differences	(1,605)	(3,156)	(3)	(4,764)
Additions	-	-	11,009	11,009
Amortisation charge	-	(2,682)	(3,330)	(6,012)
Closing net book amount	156,392	235,377	18,876	410,645
At 30 June 2012				
Cost	156,392	271,314	60,027	487,733
Accumulated amortisation	-	(35,937)	(41,151)	(77,088)
Net book amount	156,392	235,377	18,876	410,645

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 Northern Territory Government. The current licence term was extended in 2011 and now expires on 30 June 2031. The Casino Operator's Agreement is subject to extension for a further 5 years once its period to maturity reaches 15 years. 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 ("ALA")) dated October 1999 (as amended). 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 carrying value of the Adelaide licence is amortised over the life of the agreement.
Auckland	SKYCITY Auckland Limited holds a Casino Premises Licence for the Auckland premises. The Casino Premises Licence is for an initial 25 year term from 2 February 1996. The licence can be renewed for further periods of 15 years pursuant to s138 of the Gaming Act 2003 (NZ). As the licence was initially granted to the company for nil consideration there is no associated carrying value.
Hamilton	SKYCITY Hamilton Limited holds a Casino Premises Licence for the Hamilton premises. The Casino Premises Licence is for an initial 25 year term from 19 September 2002. The licence can be renewed for further periods of 15 years pursuant to s138 of the Gaming Act 2003 (NZ). As the licence was initially granted to the company for nil consideration there is no associated carrying value.

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS (continued)

	COMPUTER SOFTWARE \$'000	TOTAL \$'000
PARENT COMPANY		
At 30 June 2010		
Cost	50,813	50,813
Accumulated amortisation	(37,760)	(37,760)
Net book amount	13,053	13,053
Movements in the year ended 30 June 2011		
Opening net book amount	13,053	13,053
Additions	1,476	1,476
Amortisation charge	(3,833)	(3,833)
Closing net book amount	10,696	10,696
At 30 June 2011		
Cost	52,289	52,289
Accumulated amortisation	(41,593)	(41,593)
Net book amount	10,696	10,696
Movements in the year ended 30 June 2012		
Opening net book amount	10,696	10,696
Additions	2,303	2,303
Amortisation charge	(2,968)	(2,968)
Closing net book amount	10,031	10,031
At 30 June 2012		
Cost	45,583	45,583
Accumulated amortisation	(35,552)	(35,552)
Net book amount	10,031	10,031

(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
2012			
Goodwill	35,786	120,606	156,392
Casino Licence	-	40,459	40,459
	35,786	161,065	196,851
2011			
Goodwill	35,786	122,211	157,997
Casino Licence	-	40,997	40,997
	35,786	163,208	198,994

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 27.

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	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
SKYCITY Hamilton	41.8	42.6	2.0	2.0	10.0	10.0
SKYCITY Darwin	29.4	30.5	4.7	3.0	10.0	10.0

These assumptions are consistent with past experience adjusted for economic indicators. The discount rates are post-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

Carrying Amounts

Information relating to associates is set out below.

NAME OF COMPANY	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST		CONSOLIDATED		PARENT	
		2012 %	2011 %	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Christchurch Casinos Limited Group	Casino operator	50.0	50.0	75,266	73,782	-	-
				75,266	73,782	-	-

Christchurch Casinos Limited Group (CCL) is incorporated in New Zealand and has a 31 March balance date.

Following the Canterbury earthquakes in the prior year, a value in use impairment test was completed on the Group's investment in Christchurch Casinos resulting in a \$15 million impairment. The underlying assumptions used included an initial drop in earnings, returning to 2010 levels by 2014, a discount rate of 10% (post tax) and a terminal growth rate of 2.3%.

No adjustment has been made to the impairment charge in the current year. Increasing or decreasing the underlying assumed growth rate by 5% would result in a \$4.8 million reduction or increase in the current carrying value.

(a) Movements in carrying amounts

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Balance at the beginning of the year	73,782	83,549
Share of profits after income tax	5,447	5,976
Dividends received/receivable	(3,963)	(743)
Impairment	-	(15,000)
Balance at 30 June	75,266	73,782

(b) Impairment losses recognised in profit or loss

Impairment losses in associates accounted for using the equity method in the income statement	-	15,000
	-	15,000

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

15 INVESTMENTS IN ASSOCIATES (continued)

(c) Summarised financial information of associates

	GROUP'S SHARE OF:			
	ASSETS \$'000	LIABILITIES \$'000	REVENUES \$'000	PROFIT \$'000
2012				
Christchurch Casinos Limited Group	14,428	1,982	18,570	4,200
	14,428	1,982	18,570	4,200
2011				
Christchurch Casinos Limited Group	14,852	1,691	14,867	3,269
	14,852	1,691	14,867	3,269

The above are based on SKYCITY's direct equity interest in Christchurch Casinos Limited of 33.3% (2011: 33.3%).

16 PAYABLES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables	18,034	31,044	-	-
Deferred income	3,520	3,097	-	-
Accrued expenses	42,144	39,805	7,025	5,480
Employee benefits	43,488	36,905	-	-
Amounts due to subsidiaries (note 30)	-	-	337,743	245,517
	107,186	110,851	344,768	250,997

17 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unsecured				
United States Private Placement (USPP)	-	247,267	-	-
Total unsecured current interest bearing borrowings	-	247,267	-	-

Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 18.

NOTES TO THE FINANCIAL STATEMENTS

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18 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Refer to (note 17) for details of current portions of these liabilities.				
Unsecured				
United States Private Placement (USPP)	365,848	350,202	-	-
Syndicated bank facility	240,627	-	-	-
Deferred funding expenses	(1,573)	-	-	-
Total unsecured non-current interest bearing borrowings	604,902	350,202	-	-

In 2011, a gain of \$1,620,000 resulted from a reorganisation of funding structures and refinancing of SKYCITY ACES with USPP.

(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.

In March 2011, additional US\$175,000,000 of USPP debt was raised, US\$100,000,000 with 10 year maturity and US\$75,000,000 with 7 years.

In March 2012, USPP borrowings of US\$85,000,000, A\$74,900,000 and NZ\$47,275,000 matured and were repaid.

Other movements in the USPP from 30 June 2011 relate to foreign exchange movements.

The offsetting value of the cross currency interest rate swaps are included within derivative financial instruments in note 12.

(b) Syndicated Bank Facility

At 30 June 2012, SKYCITY had in place a NZ\$485,000,000 revolving credit (2011: NZ\$400,000,000) and Australian \$75,000,000 term facility (2011: nil) on an unsecured, negative pledge basis in two tranches of NZ\$200,000,000 each maturing January 2015 and June 2016, and two tranches maturing March 2019 of NZ\$85,000,000 and Australian \$75,000,000. The funding syndicate is comprised of ANZ National Bank Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia and Westpac New Zealand Limited.

The facility is a revolving credit facility with the exception of the Australian \$75,000,000 tranche which is a term loan.

(c) Fair values

Fair value of long term fixed rate USPP debt is estimated at \$341 million (2011: \$424 million) compared to a carrying value of \$317 million (2011: \$404 million). Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date.

The carrying value of floating rate debt approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

19 SUBORDINATED DEBT – CAPITAL NOTES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at the beginning of the year	56,451	47,043	56,451	47,043
Issued/(matured) during the year	-	9,408	-	9,408
Balance at the end of the year	56,451	56,451	56,451	56,451
Deferred expense	37	51	37	51
Net capital notes at the end of the year	56,414	56,400	56,414	56,400

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%).

In October 2010, 9,408,000 capital notes were sold from treasury stock.

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 2012, there were 150,000,000 (2011: 150,000,000) capital notes on issue, of which 93,549,500 (2011: 93,549,500) are held as treasury stock by the company.

The capital notes are listed on the NZX. As at 30 June 2012, the closing price was \$1.0425 per \$1 note (2011: \$1.0182). The capital notes are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

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20 DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:				
Prepayments and receivables	529	47	-	-
Provision and accruals	(14,174)	(9,799)	-	-
Depreciation	97,622	96,231	-	-
Foreign exchange differences	6,903	14,378	-	-
Tax losses	(1,486)	(2,263)	-	-
Other	605	613	-	-
Cash flow hedges	(5,428)	(4,917)	-	-
Net deferred tax liabilities	84,571	94,290	-	-
Movements:				
Balance at the beginning of the year	94,290	95,347	-	-
(Credited)/charged to the Income Statement (note 7)	(9,214)	8,656	-	-
Debited to equity reserves	(360)	(4,133)	-	-
Change in New Zealand corporate tax rate and building depreciation (note 7)	-	(5,435)	-	-
Foreign exchange differences	(145)	(145)	-	-
Closing balance at 30 June	84,571	94,290	-	-
Within 12 months	(15,512)	(8,979)	-	-
In excess of 12 months	100,083	103,269	-	-
	84,571	94,290	-	-

The Group has not recognised deferred tax assets of \$1.3 million (2011: \$1.6 million) in respect of losses that can be carried forward against future taxable income.

21 IMPUTATION CREDITS (New Zealand)

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Balance at the beginning of the year	(7,708)	(6,260)
Tax payments, net of refunds	26,284	32,327
Credits attached to dividends paid	(18,069)	(33,797)
Credits attached to dividends received	1,672	22
Balance at end of year	2,179	(7,708)
Imputation credits available directly and indirectly to shareholders of the parent company, through:		
Parent company	2,179	(7,708)
Subsidiaries	-	-
Balance at end of year	2,179	(7,708)

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

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22 SHARE CAPITAL

	2012 SHARES	2011 SHARES	2012 \$'000	2011 \$'000
Opening balance of ordinary shares issued	576,958,340	575,114,687	728,616	732,910
Share rights issued for employee services	-	-	1,426	1,047
Employee share entitlements issued	674,251	275,034	-	-
Treasury shares issued	(2,092,762)	(275,034)	-	-
Net purchase of treasury shares	-	-	(7,180)	(11,442)
Shares issued under dividend reinvestment plan	1,418,511	1,843,653	4,736	6,101
	576,958,340	576,958,340	727,598	728,616

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

Included within the number of shares is treasury shares of 4,517,313 (2011: 4,351,766) 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 28). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

23 RESERVES AND RETAINED PROFITS/(LOSSES)

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Reserves				
Hedging reserve – cash flow hedges	(13,355)	(12,340)	-	(427)
Foreign currency translation reserve	11,505	16,022	-	-
	(1,850)	3,682	-	(427)
<i>Hedging reserve – cash flow hedges</i>				
Balance at the beginning of the year	(12,340)	(2,740)	(427)	-
Revaluation	16,635	(77,025)	-	(593)
Transfer to net profit	(18,010)	63,292	593	-
Deferred tax	360	4,133	(166)	166
Balance 30 June	(13,355)	(12,340)	-	(427)
<i>Foreign currency translation reserve</i>				
Balance at the beginning of the year	16,022	10,625	-	-
Exchange difference on translation of overseas subsidiaries	(4,517)	5,397	-	-
Balance 30 June	11,505	16,022	-	-

(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.

NOTES TO THE FINANCIAL STATEMENTS

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23 RESERVES AND RETAINED PROFITS/(LOSSES) (continued)

(b) Retained Profit/(Losses)

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at the beginning of the year	41,150	17,397	(311,797)	(276,070)
Profit attributable to shareholders of the company	138,534	122,960	70,979	63,480
Dividends	(97,994)	(99,207)	(97,994)	(99,207)
Balance at the end of the year	81,690	41,150	(338,812)	(311,797)

24 NON CONTROLLING INTEREST

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Balance at the beginning of the year	1,368	1,325
Share of surpluses/(deficit) of subsidiaries	336	43
Balance at the end of the year	1,704	1,368

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

25 DIVIDENDS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Prior year final dividend	46,079	53,198	46,079	53,198
Current year interim dividend	51,915	46,009	51,915	46,009
Total dividends provided for or paid	97,994	99,207	97,994	99,207
Prior year final dividend (per share)	8.00¢	9.25¢	8.00¢	9.25¢
Current year interim dividend (per share)	9.00¢	8.00¢	9.00¢	8.00¢

On 14 August 2012, the directors resolved to declare a final dividend of 8 cents per share in respect of the year ended 30 June 2012 (refer to note 34 for further details).

NOTES TO THE FINANCIAL STATEMENTS

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26 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 notes 17 and 18) 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 very limited impact on the parent accounts as there are minimal 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.

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

	%	1 YEAR OR LESS \$'000	PRINCIPAL - INTEREST RATE REPRICING					OVER 5 YEARS \$'000	TOTAL \$'000
			1-2 YEARS \$'000	2-3 YEARS \$'000	3-4 YEARS \$'000	4-5 YEARS \$'000			
2012									
Cash and deposits	2.50	2,538	-	-	-	-	-	2,538	
Advance to Christchurch Hotels	2.90	5,125	-	-	-	-	-	5,125	
Bank facility	4.99	(240,627)	-	-	-	-	-	(240,627)	
US Private Placement	5.06	(49,296)	-	(59,751)	-	(34,325)	(222,476)	(365,848)	
Capital notes (NZ)	7.25	-	-	(56,451)	-	-	-	(56,451)	
IRS/CCIRS*		80,153	(31,876)	(4,599)	(35,500)	(3,675)	(4,503)	-	
		(202,107)	(31,876)	(120,801)	(35,500)	(38,000)	(226,979)	(655,263)	
Weighted average debt interest rate	6.97%								
2011									
Cash and deposits	2.50	55,690	-	-	-	-	-	55,690	
Advance to Christchurch Hotels	2.68	6,235	-	-	-	-	-	6,235	
US Private Placement	4.82	(296,563)	-	-	(56,798)	-	(244,108)	(597,469)	
Capital notes (NZ)	7.25	-	-	-	(56,451)	-	-	(56,451)	
IRS/CCIRS *		98,278	(32,300)	-	(7,552)	(35,840)	(22,586)	-	
		(136,360)	(32,300)	-	(120,801)	(35,840)	(266,694)	(591,995)	
Weighted average debt interest rate	7.36%								

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

For both 2012 and 2011 capital notes are the only interest-bearing debt within the parent entity. The parent had no derivatives as at 30 June 2012 (2011: forward foreign exchange contract with fair value of negative \$113,000).

(iii) 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 2012								
NZD/AUD movements	-	-	-	-	78	17,951	(86)	(16,241)
NZ interest rate movement	1,331	(8,634)	(1,331)	8,274	-	-	-	-
Australian interest rate movement	246	(7,325)	(246)	6,816	-	-	-	-
Total increase/ (decrease)	1,577	(15,959)	(1,577)	15,090	78	17,951	(86)	(16,241)

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

	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 2011								
NZD/AUD movements	-	-	-	-	558	10,030	(505)	(9,075)
NZ interest rate movement	645	(10,207)	(645)	9,685	-	-	-	-
Australian interest rate movement	80	(7,086)	(80)	6,586	-	-	-	-
Total increase/ (decrease)	725	(17,293)	(725)	16,271	558	10,030	(505)	(9,075)

(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 revolving credit tranches of NZ\$485 million (2011: NZ\$400 million) were drawn down by NZ\$145,000,000 as at 30 June 2012 (2011: nil drawn down). The bank facility term tranche of A\$75 million was fully drawn.

	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 2012							
Bank facility	-	-	-	200,000	200,000	180,627	580,627
Capital notes	-	-	-	56,451	-	-	56,451
US Private Placement	-	-	-	87,920	34,325	243,603	365,848
Total debt facilities	-	-	-	344,371	234,325	424,230	1,002,926
Payables	60,178	-	-	-	-	-	60,178
Total drawn debt	-	-	-	289,371	34,325	339,230	662,926
Future contracted interest on drawn debt	15,350	14,576	29,152	27,342	40,715	42,495	169,630
Future contracted interest on CCIRS/IRS	5,997	5,878	11,621	10,849	16,331	17,399	68,075

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

	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 2011							
Bank facility	-	-	-	200,000	200,000	-	400,000
Capital notes	-	-	-	-	56,451	-	56,451
US Private Placement	-	247,267	-	-	84,967	265,235	597,469
Total debt facilities	-	247,267	-	200,000	341,418	265,235	1,053,920
Payables	73,669	-	-	-	-	-	73,669
Total drawn debt	-	247,267	-	-	141,418	265,235	653,920
Future contracted interest on drawn debt	17,775	13,951	22,567	22,567	35,032	44,901	156,793
Future contracted interest on CCIRS/IRS	8,063	6,952	12,340	12,232	20,686	28,146	88,419

(d) Fair value estimation

The table below analyses for financial instruments that are measured in the balance sheet at fair value by level of the 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 2012				
Assets				
Financial assets at fair value through profit or loss				
- Forward foreign currency contracts	-	480	-	480
Derivatives used for hedging	-	23,154	-	23,154
Total assets	-	23,634	-	23,634
Liabilities				
Financial liabilities at fair value through profit or loss				
- Forward foreign currency contracts	-	145	-	145
Derivatives used for hedging	-	45,934	-	45,934
Total liabilities	-	46,079	-	46,079

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL BALANCE \$'000
CONSOLIDATED				
At 30 June 2011				
Assets				
Financial assets at fair value through profit or loss				
- Forward foreign currency contracts	-	272	-	272
Total assets	-	272	-	272
Liabilities				
Financial liabilities at fair value through profit or loss				
- Forward foreign currency contracts	-	113	-	113
Derivatives used for hedging	-	43,382	-	43,382
Total liabilities	-	43,495	-	43,495

Further details on derivatives are 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.

At year end the parent company has no derivatives (2011: \$113,000 liability).

NOTES TO THE FINANCIAL STATEMENTS

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26 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 2012				
Cash and bank balances	41,400	-	-	-
Trade receivables	13,551	-	-	-
Advance to Christchurch Hotels Limited	5,125	-	-	-
Sundry receivables	4,864	-	-	-
Derivative financial instruments (net)	-	335	(22,780)	-
Interest-bearing liabilities	-	-	-	(604,902)
Capital notes	-	-	-	(56,414)
Payables	-	-	-	(60,178)
	64,940	335	(22,780)	(721,494)
At 30 June 2011				
Cash and bank balances	104,577	-	-	-
Trade receivables	9,288	-	-	-
Advance to Christchurch Hotels Limited	6,235	-	-	-
Sundry receivables	11,244	-	-	-
Derivative financial instruments (net)	-	159	(43,382)	-
Interest-bearing liabilities	-	-	-	(597,469)
Capital notes	-	-	-	(56,400)
Payables	-	-	-	(70,849)
	131,344	159	(43,382)	(724,718)

(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).

The primary ratios were as follows at 30 June:

	2012	2011
Gearing ratio	2.1 x	2.0 x
Interest coverage	6.3 x	6.2 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing as at 30 June 2012 was within covenant limits on funding facilities.

Although the New Zealand capital notes include the right for SKYCITY to convert them to equity they are 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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27 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer/Managing Director that are used to assess performance and allocate resources.

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.

	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	SKYCITY ADELAIDE \$'000	SKYCITY DARWIN \$'000	INTER - NATIONAL BUSINESS \$'000	CORPORATE / GROUP \$'000	TOTAL \$'000
2012							
Revenue from external customers and other income	433,648	53,929	182,043	140,021	43,817	-	853,458
Shares of net profits of associates	-	5,447	-	-	-	-	5,447
Less							
Expenses	(228,335)	(30,609)	(137,182)	(95,275)	(35,294)	(31,747)	(558,442)
Depreciation and amortisation	(39,868)	(5,284)	(10,678)	(11,358)	-	(5,582)	(72,770)
Segment profit/EBIT	165,445	23,483	34,183	33,388	8,523	(37,329)	227,693
Finance costs							(48,861)
Profit before income tax							178,832
Segment assets	720,271	136,039	269,973	382,648	-	207,335	1,716,266
Investment in associates	-	75,266	-	-	-	-	75,266
Net additions to non-current assets (other than financial assets and deferred tax)	91,805	5,295	9,749	42,320	-	4,940	154,109

NOTES TO THE FINANCIAL STATEMENTS

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27 SEGMENT INFORMATION (continued)

	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	SKYCITY ADELAIDE \$'000	SKYCITY DARWIN \$'000	INTER - NATIONAL BUSINESS \$'000	CORPORATE / GROUP \$'000	TOTAL \$'000
2011							
Revenue from external customers and other income	396,208	49,652	180,436	136,539	41,571	-	804,406
Shares of net profits of associates	-	5,976	-	-	-	-	5,976
Less							
Expenses	(205,522)	(28,343)	(135,629)	(91,840)	(25,356)	(29,416)	(516,106)
Impairment of Christchurch Casino	-	(15,000)	-	-	-	-	(15,000)
Depreciation and amortisation	(35,089)	(5,619)	(10,976)	(12,030)	-	(5,996)	(69,710)
Segment profit/EBIT	155,597	6,666	33,831	32,669	16,215	(35,412)	209,566
Finance costs							(43,772)
Profit before income tax							165,794
Segment assets	676,827	134,885	290,570	373,840	-	206,549	1,682,671
Investment in associates	-	73,782	-	-	-	-	73,782
Net additions to non-current assets (other than financial assets and deferred tax)	62,036	3,456	7,464	17,552	-	4,140	94,648

Breakdown of the revenue from all services is as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue – products and services				
Local gaming	615,246	586,480	-	-
International business	43,817	41,571	-	-
Non gaming	192,467	175,094	-	-
Total revenue	851,530	803,145	-	-
Revenue – geographic				
New Zealand	520,081	479,958	-	-
Australia	331,449	323,187	-	-
Total revenue	851,530	803,145	-	-
Non-current asset additions – geographic				
New Zealand	102,040	69,632	-	-
Australia	52,069	25,016	-	-
Total non-current asset additions	154,109	94,648	-	-
Non-current assets excluding financial instruments – geographic				
New Zealand	947,867	910,978	-	-
Australia	634,012	611,927	-	-
Total non-current assets excluding financial instruments	1,581,879	1,522,905	-	-

NOTES TO THE FINANCIAL STATEMENTS

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28 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 Long Term Incentive Plan 2008

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 the company. Share rights only become exercisable when performance hurdles set by the board of directors are met.

491,132 rights were issued in the year ended 30 June 2009 of which 152,251 (2011: 275,034) have converted to shares in the current 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.

Chief Executive Officer and Executive Long Term Incentive Plan 2009

During 2010, 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 2008 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 (3 to 4 years), 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 2012, the interest free loan on the CEO Long Term Incentive Plan is \$5,582,817 (2011: \$5,846,428) and on the Executive Long Term Incentive Plan totals \$6,996,545 (2011: \$5,300,645).

NOTES TO THE FINANCIAL STATEMENTS

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28 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 / CONVERTED 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 - 2012								
04/09/06	04/09/11		333,000	-	-	(333,000)	-	-
01/03/08	01/03/12		216,098	-	(152,251)	(63,847)	-	-
01/07/08	01/07/12		600,000	-	(522,000)	-	78,000	78,000
02/09/09	02/09/13		902,425	-	-	-	902,425	-
31/08/10	31/08/14		1,216,195	-	-	(50,250)	1,165,945	-
02/03/11	02/03/15		1,544,291	-	-	(150,000)	1,394,291	-
31/08/11	31/08/15		-	790,200	-	(30,000)	760,200	-
Total			4,812,009	790,200	(674,251)	(627,097)	4,300,861	78,000
CONSOLIDATED AND PARENT - 2011								
05/09/05	05/09/10	\$4.81	231,000	-	-	(231,000)	-	-
04/09/06	04/09/11	\$5.15	333,000	-	-	-	333,000	333,000
01/03/08	01/03/12		491,132	-	(275,034)	-	216,098	216,098
01/07/08	01/07/12		600,000	-	-	-	600,000	-
02/09/09	02/09/13		960,175	-	-	(57,750)	902,425	-
31/08/10	31/08/14		-	1,266,445	-	(50,250)	1,216,195	-
02/03/11	02/03/15		-	1,544,291	-	-	1,544,291	-
Total			2,615,307	2,810,736	(275,034)	(339,000)	4,812,009	549,098

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 2.26 years (2011: 2.55 years).

Fair value of share rights granted

The assessed fair value at grant date of the rights granted 31 August 2011 is \$1.17 (31 August 2010 is 96.0 cents).

The valuation inputs for the rights granted 31 August 2011 included:

- rights are granted for no consideration
- exercise price: nil (2011: nil)
- grant date: 31 August 2011 (2011: 31 August 2010)
- expiry date: 31 August 2015 (2011: 31 August 2014)
- share price at valuation date \$3.42 (2011: \$2.87)

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

NOTES TO THE FINANCIAL STATEMENTS

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28 SHARE-BASED PAYMENTS (continued)

The assessed fair value at grant date of the rights granted 2 March 2011 is \$1.11.

The valuation inputs for the rights granted 2 March 2011 included:

- (a) rights are granted for no consideration
- (b) exercise price: nil
- (c) grant date: 2 March 2011
- (d) expiry date: 2 March 2015
- (e) share price at valuation date: \$3.34

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Rights issued under Share Rights Plans	1,426	1,047	1,426	1,047
	1,426	1,047	1,426	1,047

29 RELATED PARTY TRANSACTIONS

There are no bad or doubtful debts associated with any related party of the Group or parent entity (2011: nil).

(a) Key Management and Personnel Compensation

Key management compensation for the years ended 30 June 2012 and 2011 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	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2012	10,532	1,192	11,724
2011	8,242	835	9,077

(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, is set out over page.

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.

NOTES TO THE FINANCIAL STATEMENTS

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29 RELATED PARTY TRANSACTIONS (continued)

(c) Subsidiaries

Interests in subsidiaries are set out in note 30.

(d) Parent

The majority of the parent entity's transactions are with its subsidiaries including the payment of dividends of \$110.2 million (2011: \$100.1 million) and provision of employee services of \$22.1 million (2011: \$18.5 million) on normal commercial terms.

Advances to and from subsidiaries are repayable on demand and are on normal commercial terms within a group and are disclosed in the relevant asset or liability note.

(e) Associates

The Group has loaned Christchurch Hotels Limited \$5,125,251 (2011: \$6,235,251) as set out in note 10 on normal commercial terms.

30 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	
			2012 %	2011 %
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 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 Australia Limited Partnership	Australia	Ordinary	100	100
SKYCITY Australia Pty Limited	Australia	Ordinary	100	100
SKYCITY Australia Treasury Pty Limited	Australia	Ordinary	100	100
SKYCITY Darwin Pty Limited	Australia	Ordinary	100	100

NOTES TO THE FINANCIAL STATEMENTS

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31 CONTINGENCIES

There are no significant contingencies at year end (2011: nil).

32 COMMITMENTS

Capital Commitments

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

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property, plant and equipment	27,268	59,695	-	-

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.

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	6,974	5,482	-	-
Later than one year but not later than five years	18,074	13,419	-	-
Later than five years	322,136	318,673	-	-
Commitments not recognised in the financial statements	347,184	337,574	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the year	138,534	122,960	70,979	63,480
Non-controlling interest	336	43	-	-
Depreciation and amortisation	72,770	69,710	5,561	5,958
Finance costs net	48,861	43,772	4,171	3,908
Current period employee share entitlement	-	-	-	-
Current period share options expense	1,426	1,047	1,426	1,047
Gain on sale of fixed assets	(1,756)	(1,065)	-	-
Dividend from subsidiary	-	-	(110,178)	(100,133)
Impairment of Christchurch Casino	-	15,000	-	-
Share of profits of associates not received as dividends	(1,484)	(5,233)	-	-
Change in operating assets and liabilities				
Decrease/(increase) in receivables and prepayments	3,928	(7,720)	(66,253)	7,621
Decrease/(increase) in inventories	94	192	-	-
(Decrease)/increase in payables and accruals	(3,666)	9,052	91,708	20,779
(Decrease)/increase in deferred tax liability	(9,719)	(1,057)	-	-
(Increase) in tax receivable	(4)	(22,781)	-	-
Capital items included in working capital movements	12,423	(14,555)	-	-
Subsidiary funding transactions	-	-	(23,199)	(28,864)
Net cash inflow from operating activities	261,743	209,365	(25,785)	(26,204)

34 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**Dividend**

On 14 August 2012, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2012. The partially (60%) imputed, partially franked (60%) dividend of 8 cents per share will be paid on 5 October 2012 to all shareholders on the company's register at the close of business on 28 September 2012.

**CORPORATE GOVERNANCE
AND OTHER DISCLOSURES**

FOR THE YEAR ENDED 30 JUNE 2012



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 2012, the board comprised six non-executive directors and a managing director. As at 30 June 2012, the board had also approved the appointment of one further non-executive director subject to approval by regulatory authorities in each of the jurisdictions in which the company operates its gaming activities. These approvals were obtained subsequent to the end of the 2011/2012 year. Biographical details of individual directors are set out in the company's 2012 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.

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.

CORPORATE GOVERNANCE

CONTINUED

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 18 June 2012 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 four formally appointed committees, being the Audit and Risk Committee, Governance and Nominations Committee, Human Resources Committee (formerly the Remuneration Committee) and the recently established Corporate Social Responsibility 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 2012 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 2012.

Nine board meetings were scheduled during the year.

	APPOINTMENT TO OFFICE	BOARD SCHEDULED	BOARD UNSCHEDULED	BOARD TOTAL	AUDIT AND RISK REMUNERATION ⁽⁴⁾	GOVERNANCE AND NOMINATIONS	CORPORATE SOCIAL RESPONSIBILITY	
NUMBER OF MEETINGS HELD		9	1	10	3	4	1	0
R H McGeoch	20 September 2002	8	1	9	2	3	1	-
P D Cullinane ⁽¹⁾	26 March 2008	9	1	10	-	2	1	-
P B Harman	18 December 2008	9	1	10	-	4	1	-
C J D Moller	18 December 2008	9	1	10	3	-	1	-
N B Morrison	18 December 2008	9	1	10	-	-	1	-
Sir Dryden Spring ⁽²⁾	31 October 2003	2	-	2	1	1	-	-
B J Carter	12 October 2010	9	1	10	3	-	1	-
S H Suckling ⁽³⁾	9 May 2011	8	1	9	2	3	1	-

(1) PD Cullinane retired as a member of the Remuneration Committee on 20 April 2012 and was appointed a member of the Corporate Social Responsibility Committee on 20 April 2012.

(2) Sir Dryden Spring retired as a director on 30 September 2011.

(3) S H Suckling retired as a member of the Audit and Risk Committee on 20 April 2012.

(4) The Remuneration Committee was renamed the Human Resources Committee in August 2012.

CORPORATE GOVERNANCE

CONTINUED

3. INTEGRITY, ETHICAL BEHAVIOUR AND DIVERSITY

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.

SKYCITY believes that diversity contributes to competitive advantage and sustainable business success. The company is committed to an inclusive workplace that fosters and promotes workplace diversity at all levels.

The company recognises that to deliver outstanding service and breakthrough solutions to its diverse customer community, it too must be diverse. SKYCITY values and respects the contributions, ideas and experiences of people from all backgrounds.

The board has set the following measurable objectives to ensure SKYCITY's commitment to diversity is maintained:

- reference and celebrate SKYCITY's commitment to diversity in the company's recruitment materials, staff policies, induction and leadership development programmes;
- increase the company's talent pool of diverse qualified candidates for executive and senior management roles by providing career mentoring and skills-development programmes for women and staff in underrepresented groups - these programmes being specifically tailored to the needs of these groups;
- develop career plans for identified high potential staff in these groups that provide pathways into senior management and executive roles; and
- source best practice diversity representation benchmarks and strive to achieve top quartile performance against appropriate peer comparator companies.

As at 30 June 2012, the proportion of women at SKYCITY (including amongst directors and officers) was as follows:

TOTAL WORKFORCE	SENIOR EXECUTIVE	DIRECTORS
47%	18%	14%

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.

CORPORATE GOVERNANCE

CONTINUED

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 non-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 2011/12 year are set out in note 5 to the financial statements. Fees for audit and tax compliance work in the 2011/12 year represent 62% 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.

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. Management is required to report to the Audit and Risk Committee on the effectiveness of the company's management of its material business risks, with the most recent report being provided in June 2012.

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 most recent confirmations were provided by the Chief Executive Officer and the Chief Financial Officer in August 2012.

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 2011 was conducted by the chairman of the board (Rod McGeoch) and completed in February 2012. The review involved a formal response/feedback process with a one-on-one meeting involving the chairman and each director individually.

CORPORATE GOVERNANCE

CONTINUED

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 August 2012.

9. REMUNERATE FAIRLY AND RESPONSIBLY

The board-approved Remuneration Policy (which is available in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com) recognises that to achieve business objectives SKYCITY needs high quality, committed people and the aim of the Policy is, therefore, to attract, retain and motivate high-calibre executives capable of achieving the objectives of the company and encourage superior performance and creation of shareholder value.

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.

A range of benchmark reports and other market data is used to ensure market relativity, including a report commissioned by the Human Resources Committee and produced by PricewaterhouseCoopers regarding the relativity of SKYCITY's key executive remuneration, by role, in respect to a key comparator group.

Non-Executive Director Remuneration

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

At the 2011 annual meeting, shareholders approved, effective from 1 July 2011, a total remuneration amount for non-executive directors of \$1,300,000 per annum (plus GST, if any).

Current annual fees are \$250,000 for the chairperson of the board, \$150,000 for the deputy chairperson and \$120,000 each for other non-executive directors. In addition, each ordinary member of the Audit and Risk, Human Resources and Corporate Social Responsibility Committees receives \$15,000 per annum. The chairperson of the Audit and Risk Committee receives \$35,000 per annum and the chairperson of each of the Human Resources Committee and the Corporate Social Responsibility Committee receives \$25,000 per annum.

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. Sir Dryden Spring retired on 30 September 2011 and received a retirement allowance of \$3,350.93. Rod McGeoch is now the only director eligible for the retirement allowance, currently \$22,913.24. Retirement allowances accrued as at 30 June 2004 do not carry any interest entitlement between 1 July 2004 and the date of payment.

SKYCITY's policy on non-executive director remuneration was developed in 2011 by the Remuneration Committee (now renamed the Human Resources Committee) and subsequently approved by the board. It is available in the Investor Centre of the company's website at www.skycityentertainmentgroup.com.

Chief Executive Officer Remuneration

Employment Agreement

Nigel Morrison has an employment agreement (which is available in the Investor Centre section of the company's website at www.skycityentertainment.com) 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's remuneration package is a combination of fixed salary plus incentive payments for short and long term performance.

The short term incentive (STI) payments are determined by the company's financial performance against budget as well as a number of specific strategic, non-financial performance targets. An outline of the STI is included in the company's Remuneration Policy and Mr Morrison's employment agreement, both of which are available in the Investor Centre of the company's website.

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)

CORPORATE GOVERNANCE

CONTINUED

Plan 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 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.

Long Term Incentive Plan

The company operates a Long Term Incentive (LTI) Plan in favour of Mr Morrison. Under the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the company's 2009 annual meeting, Mr Morrison is provided with financial assistance by way of an interest-free loan by a subsidiary of the company to acquire shares in the company. A trustee holds legal title to the relevant shares 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).

For the shares to vest in Mr Morrison, the company must achieve a TSR equal to or greater than the average of the comparator and index groups' TSRs. The number of shares that will vest depend on where the SKYCITY TSR is relative to the Average Medium TSR (at which point 50% of the shares vest) and the average of the TSRs representing the 75th percentiles of the TSRs achieved by the comparator group and the index group (at which point 100% of the shares vest). In addition, the board has discretion to determine that up to 25% of the shares will vest 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 shares, and (provided the shares 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. Shares which have not previously been vested 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.

Remuneration

Mr Morrison's base salary and STI in respect of the year ended 30 June 2012 was \$2,947,535 comprising base salary of \$1,712,000 plus a performance-related STI payment of \$1,235,535 relating to the 2011/12 financial year (being 72% of his base salary as per the formula set by the board at the commencement of the 2011/12 financial year) which was paid in August 2012. The amount of the STI payment was determined by assessing the company's NPAT financial performance over the 2011/12 financial year against budget and Mr Morrison's achievement against a number of specific strategic, non-financial performance targets, which had been set by the board at the start of the financial year.

During the year, Mr Morrison was also paid a performance-related STI of \$1,108,800 relating to the prior 2010/2011 financial year (being 69% of his then applicable base salary), which reflected the board's assessment of his achievement against the STI criteria set for the 2010/2011 financial year.

Mr Morrison was previously issued 491,132 share rights under the Chief Executive Officer Long Term Incentive Plan 2008 approved by shareholders at the company's 2008 annual meeting. Share rights become exercisable when performance hurdles set by the board are met and, if exercised, each share right corresponds to one SKYCITY share. On 16 March 2011, 275,034 share rights converted to 275,034 SKYCITY shares. On 23 September 2011, a further 88,404 share rights converted to 88,404 shares. On 15 March 2012, a further 63,847 share rights converted to 63,847 shares and the balance of 63,847 share rights lapsed in accordance with the terms of the Plan.

Mr Morrison's shareholding in the company and LTI entitlements are detailed on pages 60 and 63 of this annual report.

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.

The Human Resources Committee approves remuneration increases for the senior executive group.

CORPORATE GOVERNANCE

CONTINUED

Short Term Incentive Arrangements

Salaried Incentive Plans

Senior Executive STI

To drive outstanding company and individual performance, SKYCITY operates a Short Term Incentive (STI) Plan for the senior executive group. For each individual, 80% of their STI target is linked to the achievement of company financial targets with the remaining component dependent on the achievement of individual, largely non-financial strategic objectives.

For the year ended 30 June 2012, a total of \$1,556,804 was paid under the Senior Executive STI Plan to ten executives – an amount equivalent to 32% of combined base salary for this group.

Salaried Employee STI and Individual Bonus Plan

To drive outstanding company and individual performance, SKYCITY operates a Short Term Incentive (STI) Plan 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 Salaried STI Plan 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 2012, 284 salaried staff participated in the Salaried STI Plan. Based on achievement of individual and financial targets, 283 staff received an average STI payment of 13% of their fixed salaries.

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

In total, 142 SKYCITY salaried personnel were paid incentives totalling \$340,000 under the Salaried STI and IB Plans.

The board has approved the continuation of the Senior Executive and Salaried STI Plans and the IB Plan for 2012/13 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 10 September 2012 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 involved 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).

In accordance with the terms of the Rights Plan 2008, performance was assessed on 1 July 2011, 1 January 2012 and, finally, on 1 July 2012. All remaining rights under the Rights Plan 2008 which had not previously become exercisable lapsed following the final performance testing date of 1 July 2012 on the basis that the relevant performance hurdles had not been fully satisfied. Accordingly, no share rights are currently issued and outstanding under the Rights Plan 2008.

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.

CORPORATE GOVERNANCE

CONTINUED

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 2011/12 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 2012 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 the SKYCITY senior executive rights and share plans. The Executive Share Rights Plan 2008 was approved by the board in December 2008. As noted above, on 1 July 2012, all remaining rights under this Plan which had not become exercisable lapsed. The Executive Share Rights Plan 2008 was 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 set out a remuneration structure for senior executives entitling them to receive shares based on the company's achievement of designated performance hurdles, which involved 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 were in the NZSX50 index. The Executive Share Rights Plan 2008 imposed a three year restriction before benefits could 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 15 AUGUST 2012

	NUMBER OF SHARES	% OF SHARES
1. HSBC Nominees (New Zealand) Limited A/C State Street	38,424,447	6.66%
2. JP Morgan Chase Bank NA	35,262,840	6.11%
3. Accident Compensation Corporation	32,650,213	5.66%
4. National Nominees Limited	27,683,960	4.80%
5. HSBC Nominees (New Zealand) Limited	27,522,161	4.77%
6. National Nominees New Zealand Limited	27,412,465	4.75%
7. JP Morgan Nominees Australia Limited	24,645,190	4.27%
8. Citibank Nominees (New Zealand) Limited	21,729,736	3.77%
9. RBC Investor Services Australia Nominees Pty Limited	18,680,198	3.24%
10. New Zealand Superannuation Fund Nominees Limited	17,726,279	3.07%
11. HSBC Custody Nominees (Australia) Limited	16,964,551	2.94%
12. Premier Nominees Limited - Onepath Wholesale Australasian Shr Fund	11,253,730	1.95%
13. BNP Paribas Nominees (NZ) Limited	9,728,928	1.69%
14. AMP Investments Strategic Equity Growth Fund	7,088,705	1.23%
15. NZGT Nominees Limited - AIF Equity Fund	6,920,608	1.20%
16. Private Nominees Limited	6,463,208	1.12%
17. TEA Custodians Limited	5,796,988	1.00%
18. Westpac NZ Shares 2002 Wholesale Trust	5,561,753	0.96%
19. FNZ Custodians Limited	5,303,093	0.92%
20. BNP Paribas Noms Pty Ltd	5,269,253	0.91%
Total	352,088,306	61.02%

Total shares on issue as at 15 August 2012 were 576,958,340 of which 4,517,313 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 15 AUGUST 2012

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 - 1,000	3,562	1,397,126
1,001 - 5,000	9,381	25,981,893
5,001 - 10,000	3,603	25,556,641
10,001 - 100,000	3,235	72,809,489
> 100,000	179	451,213,191
Total	19,960	576,958,340

As at 15 August 2012, there were 1,259 shareholders (with a total of 88,440 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$2.74. 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 15 August 2012 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
Accident Compensation Corporation	2 July 2012	34,673,549	6.01%
Investors Mutual Limited	8 August 2012	28,927,533	5.01%

No further substantial security holder notices had been received as at 10 September 2012.

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 2012 is as listed below:

R H McGeoch (Chairman)	\$250,000
P D Cullinane	\$136,972
P B Harman	\$145,000
C J D Moller	\$155,000
Sir Dryden Spring ⁽¹⁾	\$37,500
B J Carter	\$162,339
S H Suckling	\$147,042

(1) Sir Dryden Spring retired as a director on 30 September 2011. In addition to remuneration paid for services in his capacity as a director, he was paid \$3,350.93 as a retirement payment in October 2011 following retirement from the board.

Richard Didsbury received total remuneration of \$86,625 during the 2011/12 year. Richard Didsbury was appointed a director of the company following the end of the 2011/2012 year on 20 July 2012. From 20 July 2012, remuneration payable to Richard Didsbury will be in respect of services provided in his capacity as a director. Prior to his appointment as a director, Richard Didsbury provided consultancy services to the Group and remuneration paid was in respect of consultancy services.

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 2011/2012 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 50% 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 P A Treacy. These fees were paid to SKYCITY and were not received personally by either Messrs Ryan or Treacy.

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 2012, 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 2012. 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	46
\$110,000-\$119,999	29
\$120,000-\$129,999	24
\$130,000-\$139,999	20
\$140,000-\$149,999	12
\$150,000-\$159,999	10
\$160,000-\$169,999	5
\$170,000-\$179,999	4
\$180,000-\$189,999	7
\$190,000-\$199,999	6
\$200,000-\$209,999	4
\$220,000-\$229,999	3
\$230,000-\$239,999	3
\$240,000-\$249,999	3
\$250,000-\$259,999	2
\$260,000-\$269,999	1
\$270,000-\$279,999	1
\$290,000-\$299,999	1
\$300,000-\$309,999	1
\$380,000-\$389,999	2
\$390,000-\$399,999	1
\$400,000-\$409,999	2
\$410,000-\$419,999	1
\$560,000-\$569,999	1
\$620,000-\$629,999	1
\$640,000-\$649,999	1
\$660,000-\$669,999	1
\$690,000-\$699,999	1
\$710,000-\$719,999	2
\$770,000-\$779,999	1
\$800,000-\$809,999	1
\$1,120,000-\$1,129,999	1
Total	198

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 2012 (notices given by directors during the year ended 30 June 2012 are marked with an asterisk):

R H McGeoch

BGP Holdings plc (Malta)	Director
BGP Investments S.a.r.l (Luxembourg)	Director
Destination New South Wales Limited	Director*
McGeoch Holdings Pty Limited	Chair
Ramsay Health Care Limited	Director
Sydney Cricket and Sports Ground Trust	Trustee
Vantage Private Equity Growth Limited	Chair

B J Carter

ASC Pty Limited	Director
Badge Management Pty Limited	Director
Cobbadah Pty Limited	Director
Eudunda Farmers Limited	Director
Ferrier Hodgson	Partner
Genesee & Wyoming Australia Pty Limited	Director
RSC Nominees Pty Limited	Director
Territory Insurance Office	Chair

P D Cullinane

Assignment Group New Zealand Limited	Director
Low Flying Kiwis Limited	Director and Shareholder
STW Communications Group Limited	Director and Shareholder
The Antipodes Water Company Limited	Director and Shareholder

P B Harman

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

C J D Moller

ICC Development (International) Limited	Director
International Cricket Council	Director
Meridian Energy Limited	Chair
New Zealand Cricket (Inc.)	Chair
New Zealand Transport Agency	Chair
NZX Limited	Director
Rugby New Zealand 2011 Limited	Director
Victoria University of Wellington Foundation	Trustee
Westpac New Zealand Limited	Director
Westpac Regional Stadium Trust	Trustee

S H Suckling

Acemark Holding Limited	Managing Director*
Barker Fruit Processors and certain subsidiaries	Chair
ECL Group Limited	Chair
HSR Governance Limited	Managing Director*
New Zealand Qualifications Authority	Chair
Oxford Clinic Hospital Limited	Director
Oxford Health Group Limited	Director
Restaurant Brands New Zealand Limited	Director
Takeovers Panel	Member

The following details included in the Interests Register as at 30 June 2011, or entered during the year ended 30 June 2012, have been removed during the year ended 30 June 2012:

- R H McGeoch is no longer a director of Events New South Wales Pty Limited or a member of the NSW Board of Advice for Aon New Zealand.
- S H Suckling is no longer chairperson of Stretton Publishing Company Limited, acting chairperson of Basketball New Zealand or a director of Stretton Clothing Company Limited and Carter Price Rennie Limited.

DIRECTORS' DISCLOSURES

CONTINUED

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.

DISCLOSURE OF DIRECTORS' INTERESTS 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 2012:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
B J Carter	7 October 2011 ⁽¹⁾	NZ\$2,309.41	692
N B Morrison	23 September 2011	Nil ⁽²⁾	(88,404)
	23 September 2011	Nil ⁽²⁾	88,404
	15 March 2012	Nil ⁽²⁾	(127,694) ⁽³⁾
	15 March 2012	Nil ⁽²⁾	63,847

(1) Shares held by Tarquay Pty Limited on trust for Tarquay Superannuation Fund.

(2) Share rights converted to shares under the Chief Executive Officer Long Term Incentive Plan 2008.

(3) 63,847 share rights converted to shares and balance of 63,847 share rights lapsed in accordance with the terms of the Chief Executive Officer Long Term Incentive Plan 2008.

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

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2012:

	SHARES BENEFICIALLY HELD
R H McGeoch	69,091 ⁽¹⁾
B J Carter	31,418 ⁽²⁾
P D Cullinane	17,250
P B Harman	22,273 ⁽³⁾
	10,000 ⁽⁴⁾
C J D Moller	26,915 ⁽⁵⁾
N B Morrison	627,285
	82,233 ⁽⁶⁾
	1,876,536 ⁽⁷⁾

(1) Shares held by McGeoch Holdings Pty Limited.

(2) Shares held by Tarquay Pty Limited on trust for Tarquay Superannuation Fund.

(3) Shares held by Forbar Nominees Limited.

(4) Shares held by Investment Custodial Services Limited.

(5) Shares held by First NZ Capital Limited.

(6) Shares held by Perpetual Limited.

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

S H Suckling did not have any relevant interest in SKYCITY shares as at 30 June 2012.

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 19 of the financial statements.

As at 15 August 2012, SKYCITY was the holder of 93,549,500 capital notes as treasury stock. The capital notes held by SKYCITY are not included in the table below.

TWENTY LARGEST CAPITAL NOTEHOLDERS AS AT 15 AUGUST 2012

	NUMBER OF CAPITAL NOTES	% OF CAPITAL NOTES
1. FNZ Custodians Limited	4,063,000	2.71%
2. Investment Custodial Services Limited - A/C C	1,589,000	1.06%
3. Custodial Services Limited - A/C 3	997,000	0.66%
4. FNZ Custodians Limited - DRP NZ A/C	892,000	0.59%
5. Invercargill Licensing Trust	500,000	0.33%
6. Custodial Services Limited - A/C 4	484,000	0.32%
7. Custodial Services Limited - A/C 2	370,000	0.25%
8. Forsyth Barr Custodians Limited - 1-17.5	316,000	0.21%
9. Hugh McCracken Ensor & Vivienne Margaret Ensor - HMVE Family A/C	300,000	0.20%
10. Frimley Foundation	300,000	0.20%
11. H B Williams Turanga Trust - HB Williams Turanga A/C	300,000	0.20%
12. Resolution Investments Ltd	300,000	0.20%
13. Forsyth Barr Custodians Limited - 1-30	275,000	0.18%
14. Forsyth Barr Custodians Limited - 1-33	246,000	0.16%
15. Custodial Services Limited - A/C 6	240,000	0.16%
16. John Archer & Pearl Archer	200,000	0.13%
17. Fraser Smith Holdings Limited	200,000	0.13%
18. JBWere (NZ) Nominees Limited - A/C 31873	200,000	0.13%
19. Kings College Foundation	200,000	0.13%
20. John Richard Matthews & Rosemary Jennifer Matthews & Bruce Redvers Perkins - Matthews A/C	200,000	0.13%
Total	12,172,000	8.08%

DISTRIBUTION OF CAPITAL NOTE HOLDINGS AS AT 15 AUGUST 2012

	NUMBER OF NOTEHOLDERS	NUMBER OF CAPITAL NOTES
1 - 1,000	1	250
1,001 - 5,000	232	1,160,000
5,001 - 10,000	447	4,181,500
10,001 - 100,000	1,080	35,645,750
> 100,000	43	109,012,500
Total	1,803	150,000,000

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

The following persons held office as directors of SKYCITY Entertainment Group Limited as at the end of the 2011/2012 financial year, being 30 June 2012: R H McGeoch, B J Carter, P D Cullinane, P B Harman, C J D Moller, S H Suckling and N B Morrison.

Sir Dryden Spring retired as a director of SKYCITY Entertainment Group Limited on 30 September 2011.

SUBSIDIARY COMPANIES

Subsidiary Company Directorships

The following persons held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2011/2012 financial year, being 30 June 2012:

- 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 Australia 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

- Directors: N B Morrison, P A Treacy and R H McGeoch:

SKYCITY Treasury Australia Pty Limited

- Directors: N B Morrison, P A Treacy and B K Morgan:

SKYCITY Darwin Pty Limited

Changes to Non-Wholly Owned Company Directorships

The changes to SKYCITY executives on the boards of non-wholly owned subsidiaries in the 12 month period ended 30 June 2012 are set out below:

- A B Ryan resigned as a director of the following companies on 30 June 2012:

Christchurch Casinos Limited
Christchurch Hotels Limited
Premier Hotels (Christchurch) Limited
Queenstown Casinos Limited

- P A Treacy was appointed as a director of the following companies on 30 June 2012:

Christchurch Casinos Limited
Christchurch Hotels Limited
Premier Hotels (Christchurch) Limited

- N B Morrison was appointed as a director of Queenstown Casinos Limited on 30 June 2012.

Non-wholly Owned Company Directorships

At 30 June 2012, 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 P A Treacy:

Christchurch Casinos Limited
Christchurch Hotels Limited
Premier Hotels (Christchurch) Limited
Queenstown Casinos Limited

- SKYCITY representative on the board - N B Morrison:

Force Location Limited

OTHER INFORMATION

WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

No waivers were sought from either of the NZX or ASX Listing Rules within the 12 month period preceding the date two months before the date of this annual report. For the same period the company relied upon the following waiver:

- on 9 February 2011, NZX granted a waiver from LR 7.11.1 (relating to the requirement for allotment to occur within five business days following the latest date on which applications for securities close) in relation to the allotment of shares pursuant to the company's dividend reinvestment plan.

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.

SHARE AND SHARE RIGHTS HOLDERS

As at 10 September 2012, shares and share rights on issue were as detailed below:

- 1,876,536 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
- 2,217,325 shares issued under the Executive Long Term Incentive Plan approved by directors in September 2009, held by Public Trust on behalf of 18 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:
 - 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.

OTHER INFORMATION

CONTINUED

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 \$33,522 were made by the company during the 12 month period ended 30 June 2012 (\$1,035,664 during the 12 months ended 30 June 2011).

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.

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. In addition, SKYCITY (or a nominee or agent of SKYCITY) may, from time to time, acquire existing shares in the company to satisfy its obligations to participating shareholders under the company's Dividend Reinvestment Plan established in February 2011. As at 17 September 2012, the company does not have in place an on-market share buy-back programme.

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 15 August 2012 in respect of the year ended 30 June 2012 and this annual report.

As at the date of this annual report, SKYCITY Entertainment Group Limited has a Standard & Poor's BBB- rating with a stable outlook.

DIRECTORY

REGISTERED OFFICE

SKYCITY

Entertainment
Group Limited
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Wellesley Street
Auckland
New Zealand

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Email: sceginfo@skycity.co.nz

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c/o Finlaysons

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SOLICITORS

Russell McVeagh

Vero Centre
48 Shortland Street
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Auckland

Minter Ellison

Rudd Watts

Lumley Centre
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Auckland

Bell Gully

Vero Centre

48 Shortland Street
PO Box 4199
Auckland

Finlaysons

81 Flinders Street
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Adelaide
South Australia

AUDITOR

PricewaterhouseCoopers

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REGISTRARS

NEW ZEALAND

Computershare

Investor Services Limited

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AUSTRALIA

Computershare

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BANKERS

ANZ National Bank

Commonwealth Bank of Australia

Bank of New Zealand

Westpac New Zealand

CAPITAL NOTES TRUSTEE

The New Zealand

Guardian Trust

Company Limited

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We would like to thank the following SKYCITY staff members for their time and use of their images within this year's Annual Report:

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