

SKYCITY ENTERTAINMENT GROUP LIMITED

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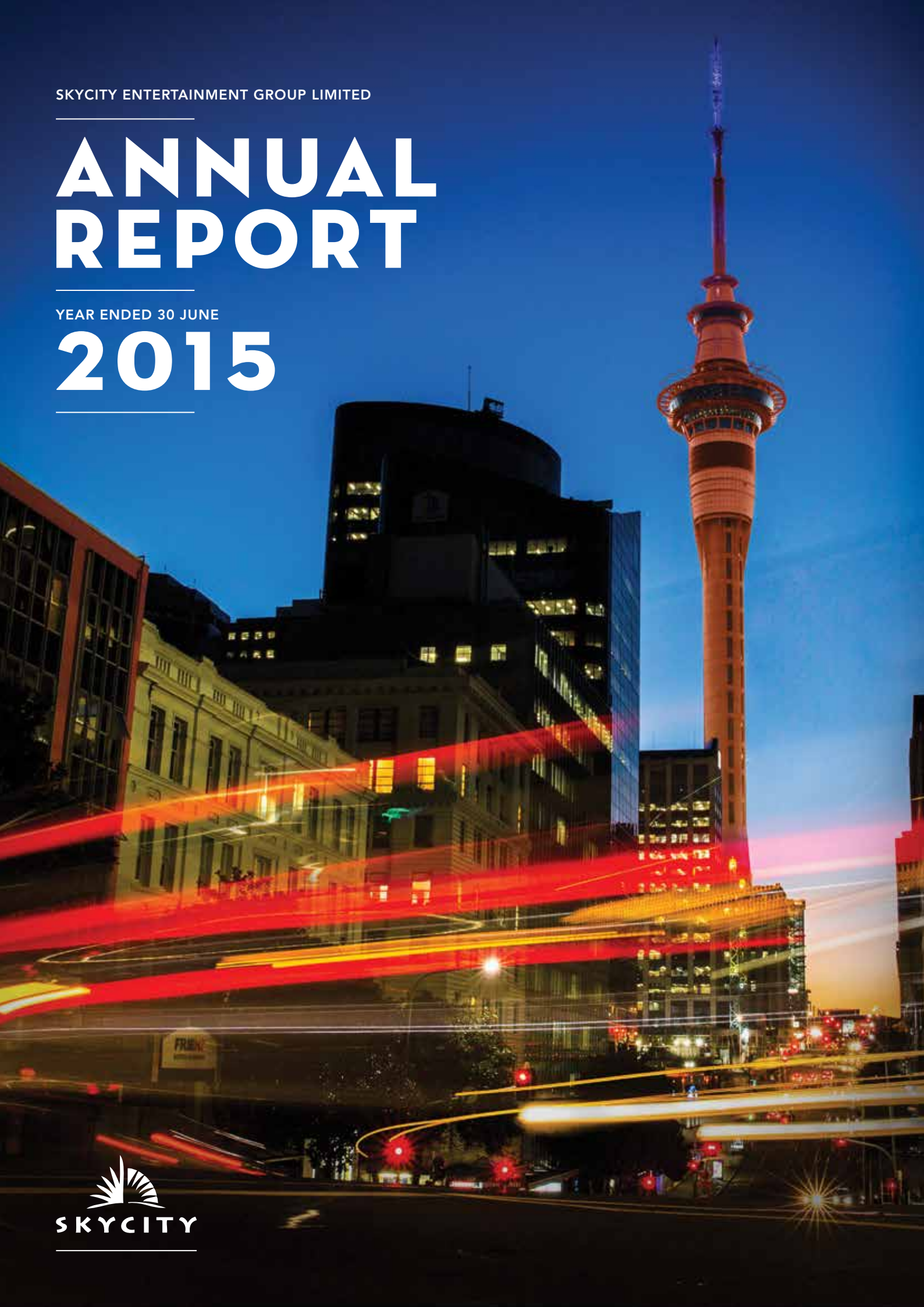
# ANNUAL REPORT

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YEAR ENDED 30 JUNE

# 2015

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## ANNUAL MEETING

The 2015 annual meeting of SKYCITY Entertainment Group Limited will be held on Friday 13 November 2015 in the SKYCITY Theatre, Level 3, SKYCITY Auckland, Corner of Wellesley and Hobson Streets, Auckland, commencing at 10.00am (New Zealand time).

This report is dated 25 September 2015 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:

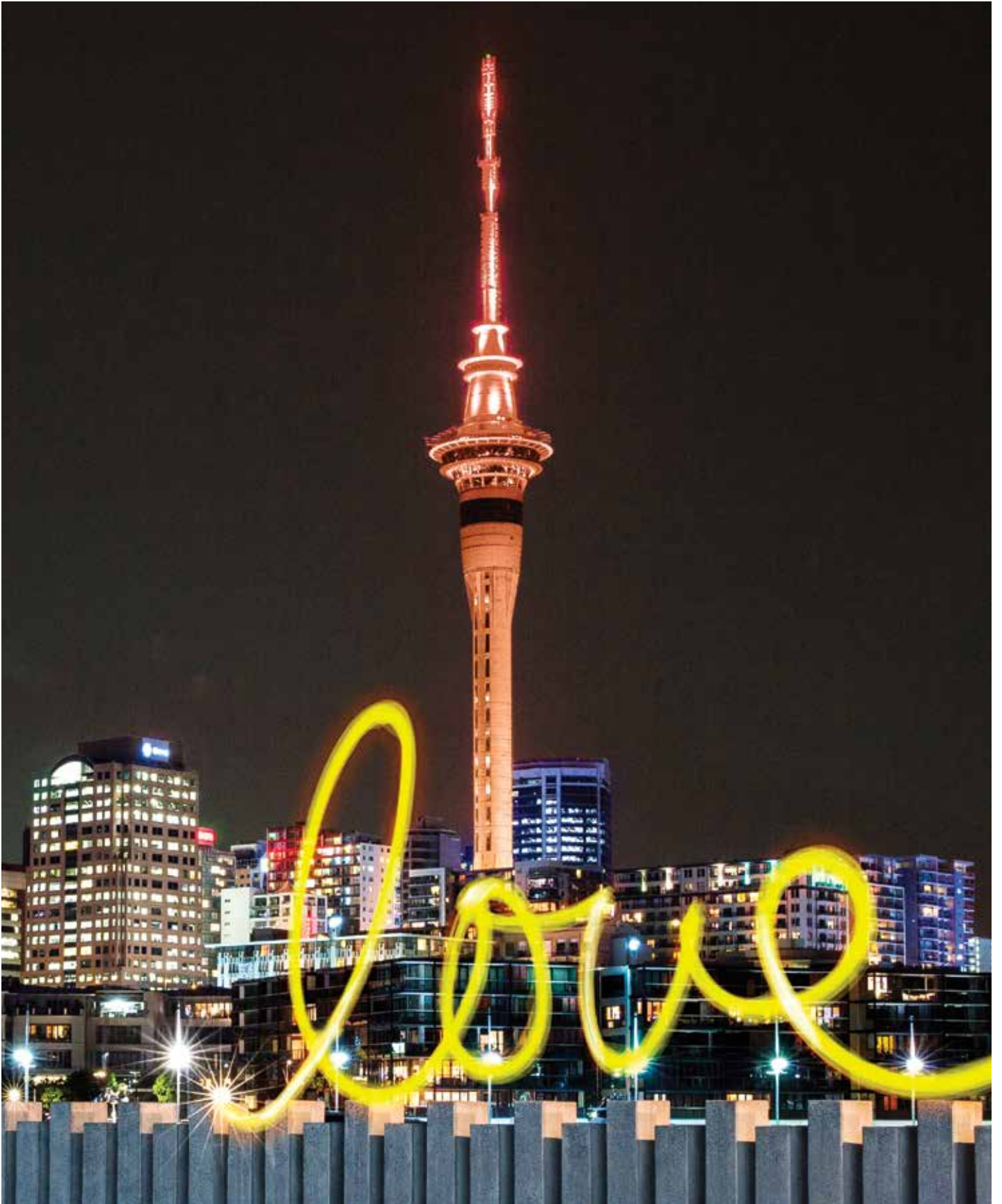


Chris Moller  
Chairman



Bruce Carter  
Deputy Chairman

Unless otherwise stated, all dollar amounts in this annual report are expressed in New Zealand dollars. An electronic copy of this annual report is available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com).







**MOMENTUM  
GROWING**  
FOLLOWING INVESTMENT  
OF PAST FIVE YEARS



## Momentum building, following five years of solid investment, laying the foundations for further growth.

The 2015 financial year has been a positive one for SKYCITY – a year that has seen excellent results in most parts of the business following five years of careful planning and solid, strategic investment in business initiatives, capital projects and tourism infrastructure.

The main highlights include:

- Record revenue for the Group exceeding \$1 billion for the first time in the Company's history
- SKYCITY Auckland was an outstanding performer in the Group once again
- Another very strong year for International Business across the Group – normalised revenue up 42.6%
- SKYCITY Hamilton and our two Queenstown properties returned to growth
- Significant progress made on the New Zealand International Convention Centre project, with construction expected to start before the end of the year
- Normalised NPAT (net profit after tax) of \$134.1 million was up 8.8% on the previous corresponding period
- Reported NPAT for the full year was \$128.7 million, up 30.7% on the previous period, reflecting an improved win rate in International

Business of 1.36% in line with the theoretical win rate

- Dividend policy maintained with an annual total dividend of 20 cents per share

Normalised revenue (including gaming GST) was \$1,007.7 million and normalised EBITDA (earnings before interest, taxes, depreciation and amortisation) was \$304.9 million.

The full year results for 2015 are very pleasing (with the exception of Adelaide) with strong and sustained momentum across the core businesses.

We have continued to achieve strong growth across our New Zealand properties and International Business and have delivered record revenues exceeding \$1 billion for the first time.

This reflects the significant investment in our underlying businesses, particularly Auckland, over the past few years and it is exciting to see the returns now being achieved.

Auckland continued its positive momentum exhibited over recent times, delivering record results with strong growth across all business segments. The ongoing success of SKYCITY's widely-lauded Federal Street restaurants, high average occupancies in both the SKYCITY Hotel and SKYCITY Grand Hotel, growth in Sky Tower visitation and Convention Centre bookings and the enhancements made to our international 'Horizon' and domestic



**NIGEL MORRISON**  
MANAGING DIRECTOR  
AND CHIEF EXECUTIVE OFFICER



MOMENTUM CONTINUES TO BUILD ON THE NZICC PROJECT, BRINGING JOBS, GROWTH AND MUCH-NEEDED ECONOMIC INVESTMENT IN AUCKLAND'S CBD.

VIP gaming offerings have all contributed to Auckland's very pleasing results.

As observed in our interim results, the disruption to trading from the redevelopment of the Adelaide Casino over the period was significant, with the A\$50 million redevelopment of the existing property only being completed in January this year. While Adelaide Casino achieved modest revenue growth for the full year, with normalised revenue up 4.8% to A\$174.1 million, the disruption and unsatisfactory cost management over the period delivered a disappointing EBITDA result - down 19.2% to A\$27.3 million. Management has been firmly focused on addressing the issues and looks forward to delivering significantly improved results this year, notwithstanding the challenging economic environment in South Australia.

**NEW ZEALAND INTERNATIONAL CONVENTION CENTRE**

We have made very pleasing progress in relation to the New Zealand International

Convention Centre (NZICC) and it is our expectation to commence construction of this landmark Auckland tourism facility this year.

Following SKYCITY and the Crown agreeing on the preliminary design for the NZICC in May 2015, the Auckland Council announced that our resource consent application has been approved. The approval enables SKYCITY to now seek the amendments necessary to incorporate the preliminary design changes that were agreed with the Crown. This is excellent news for the project and allows SKYCITY to move ahead with selecting a construction partner. Plans to activate various gaming concessions are well advanced and will come into effect once the building contract is signed.

The 32,000 square metre building will be capable of hosting meetings of up to 3,150 people, two concurrent events of 1,200 delegates each and one-off events of up to 4,200 people. The NZICC will be the largest purpose-built convention centre in the country.

SKYCITY plans to construct a new laneway that will provide Aucklanders and visitors with a new public space featuring shops, cafés, bars and quality signature restaurants like those on nearby Federal Street.

SKYCITY has also committed to building a new 5-star, 300 room hotel on Hobson Street, adjacent to the NZICC. Currently we are exploring partnering options with various external investors for the development and ownership of the hotel.

Momentum continues to build on the NZICC project, bringing jobs, growth and much-needed economic investment in Auckland's CBD.

**AUCKLAND**

SKYCITY Auckland continues as the standout performer across the Group, following the successful business initiatives and capital investments over the past five years.

Record results at the property saw normalised revenue up 13.0% to \$602.6 million and normalised EBITDA up 13.7% to



\$247.8 million over the period. International Business normalised revenues at SKYCITY Auckland were up 38.7% to \$81.3 million, reflecting the quality of SKYCITY's international offering and Auckland's strong appeal as an international destination. Auckland has now delivered six consecutive quarters of EBITDA growth – an outstanding result.

Both revenue and EBITDA growth were achieved across all business activities with notable improvements achieved in the international and domestic gaming business, particularly within table games, underpinned by improved customer segmentation and experiences and the continued success of our Federal Street restaurants. Gaming machines also delivered a robust performance, despite a relatively strong comparative period.

SKYCITY Auckland's Federal Street dining precinct continues to deliver fantastic results, with Depot winning Metro Magazine's Restaurant of the Year 2015 – a great accolade following on from MASU winning the very same award the prior year. Six of Federal Street's restaurants featured in Metro magazine's esteemed '2015 Top 50 Restaurants' list – Depot, Gusto at the Grand, The Grill by Sean Connolly, MASU, Federal Delicatessen and The Sugar Club. On top of this, Gusto and Depot received one chef's hat each in the Cuisine NZ Good Food Awards 2015, with Nic Watt's MASU taking out an impressive two hats.

Following our co-investment with Auckland Council to transform Federal Street into a shared space, our Federal Street dining precinct continues to grow from strength to strength, with more restaurants planned for 2016.

SKYCITY Auckland's two hotels, the SKYCITY Hotel and SKYCITY Grand Hotel, continued to be popular, reflecting the benefits of being able to offer world-class integrated casino and entertainment facilities to our local and international customers.

The Auckland property has hosted some marquee entertainment events during the period, including being the primary host to

FIFA during the Under 20 Football World Cup, reinforcing our position as the premier entertainment destination in New Zealand.

The strong growth in Auckland is a result of continued good management under the leadership of Chief Operating Officer New Zealand and General Manager SKYCITY Auckland John Mortensen, Assistant General Manager SKYCITY Auckland Matt Ballesty and their team, the investments we have made in the property and the precinct, and positive external and economic factors.

#### HAMILTON

Our Hamilton property has delivered solid results, and we are starting to see some encouraging growth, under the leadership of General Manager Michelle Baillie who moved to SKYCITY Hamilton from SKYCITY Queenstown in April 2014. Normalised revenue was up 4.5% to \$50.6 million and normalised EBITDA was



SKYCITY AUCKLAND CONTINUES AS THE STANDOUT PERFORMER ACROSS THE GROUP, FOLLOWING THE SUCCESSFUL BUSINESS INITIATIVES AND CAPITAL INVESTMENTS OVER THE PAST FIVE YEARS.



CHRIS MOLLER  
CHAIRMAN



OUR HAMILTON PROPERTY HAS DELIVERED SOLID RESULTS, AND WE ARE STARTING TO SEE SOME ENCOURAGING GROWTH.

up 15.7% to \$19.9 million. Normalised gaming revenue grew 6.9% to \$43.4 million.

The positive growth follows recent investment into the business, including in the conventions space, which we are already starting to see tangible results from. A rejuvenation of the food and beverage offering, an overhaul of the main gaming floor and some positive changes to the wider leadership team have also contributed. The improved performance has been underpinned by solid gaming machine and table games revenue delivered by new premium gaming spaces, a renewed focus on customer experiences and the coordinated delivery of better product, facilities and cost management.

We recently announced the development of an exciting new food and beverage precinct at our Hamilton property in a large-scale redevelopment of the current atrium area. The precinct will host five new food and beverage outlets including a craft beer bar, gourmet burger outlet, café, new restaurant and cocktail lounge. The precinct will offer shared seating under the historic glassed dome - once part of the Hamilton Post Office building built in 1940.

SKYCITY Hamilton is well placed to benefit from the Hamilton City Council's 'River Plan Project' given the property's ideal location and proximity to the planned tourism infrastructure investment.

### QUEENSTOWN

The combined operations of our two Queenstown sites, SKYCITY Queenstown and SKYCITY Wharf Casino, have returned to growth. Normalised revenue was up 34.6% to \$18.3 million and normalised EBITDA was up 61.1% to \$2.9 million, underpinned by strong International Business volumes.

The medium-term focus for Queenstown remains on growing our International Business in this world-renowned tourist location.

### ADELAIDE

Despite modest revenue growth and improving visitation trends in the second half

of the financial year following the completion of a significant refurbishment of the property, Adelaide Casino had a disappointing result for the year. Adelaide's normalised revenue was up 4.8% to A\$86.8 million. The disruption in the first half of the year and unsatisfactory cost management together with the weak economy in South Australia resulted in a poor normalised EBITDA result for the year - down 19.2% to A\$27.3 million.

The Adelaide business was significantly impacted during the redevelopment works, which were completed in January 2015. SKYCITY remains firmly focused on achieving significantly improved performance from the Adelaide property. Our two new signature restaurants Sean's Kitchen by Sean Connolly, which opened in October 2014, and Madame Hanoi by Nic Watt, which opened in January 2015, have commenced trading to great acclaim. Both restaurants were opened by the Premier of South Australia, The Hon. Jay Weatherill.

SKYCITY is making good progress on the plans for the transformation of the Adelaide Casino into an integrated world-class entertainment destination, constructing a new boutique hotel, an expanded gaming podium and additional signature restaurants. SKYCITY is close to finalising the concept design of the development with the South Australian Government ensuring that the project best meets the opportunities and future requirements of the Adelaide and South Australian markets.

### DARWIN

SKYCITY Darwin achieved a pleasing result despite a challenging local market. Normalised revenue was marginally up to A\$137.1 million and normalised EBITDA increased 7.2% to A\$38.9 million.

The performance was primarily driven by recent investments in the property to improve the customer experience and clearly differentiate SKYCITY Darwin as an outstanding tourism and entertainment destination in Darwin. This included investing in a new sports bar, Aces, which opened in April 2015 and is situated adjacent to the main gaming floor, with multiple





SKYCITY IS MAKING GOOD PROGRESS ON THE PLANS FOR THE TRANSFORMATION OF THE ADELAIDE CASINO INTO AN INTEGRATED WORLD-CLASS ENTERTAINMENT DESTINATION.

screens and the ability to host live entertainment. The Vue, a new bar, bistro and buffet restaurant also opened in July and features a private dining room, a 'show' kitchen, and significantly improved décor to the previous offering in that space. Located adjacent to the gaming floor, this is helping grow visitation to the venue.

On top of the new food and beverage developments, significant growth in International Business turnover, reflecting the attraction of Darwin as a unique destination for International Business, and a strong management focus on operating costs and efficiencies contributed to Darwin's overall performance.

In April this year, the Northern Territory Government announced its plans to impose a new Community Benefit Levy on the gross profits of electronic gaming machines at SKYCITY Darwin. Subsequently, the Northern Territory Government completed the gaming tax review for SKYCITY Darwin in July 2015. The net impact of the new gaming tax rates (which will apply until June 2025) and the Community Benefit Levy is an

increase in operating costs for Darwin expected to be less than A\$1 million per annum.

The medium to longer-term growth prospects for the Darwin property will depend on further promotion of International Business play, potential activation of the Little Mindil site (adjacent to the property) and any further investment in existing facilities.

**INTERNATIONAL BUSINESS**

Growth in International Business turnover continues to be underpinned by the success of our expanded sales and marketing team, led by President of International Business, Ejaaz Dean, increased recognition of our Group wide international 'Horizon' brand and offering, a strong focus on relationships with our VIP customers and continued growth in the number of Asian VIP customers visiting New Zealand.

The past few years of investment in our International Business facilities continued to deliver record activity during the financial year across the Group, with turnover of



THERE IS POTENTIAL FOR FURTHER SIGNIFICANT GROWTH IN INTERNATIONAL BUSINESS AND HENCE SKYCITY WILL CONTINUE TO INVEST PRUDENTLY TO PROVIDE BETTER VIP CUSTOMER EXPERIENCES ACROSS OUR CORE PROPERTIES AND ACHIEVE ATTRACTIVE RETURNS.



ACES BAR, DARWIN



THE VUE, DARWIN



\$9.3 billion and normalised EBITDA up 35.1% to \$26.4 million. The actual win rate for the period was 1.36%, in line with the theoretical win rate of 1.35%.

There is potential for further significant growth in International Business and hence SKYCITY will continue to invest prudently to provide better VIP customer experiences across our core properties and achieve attractive returns.

### OTHER HIGHLIGHTS

SKYCITY welcomed Rob Hamilton to the role of Chief Financial Officer in October 2014. Rob is a well-respected member of the New Zealand finance community with more than 20 years' experience at First NZ Capital, where he led the investment banking team prior to joining SKYCITY.

John Mortensen was promoted to the newly created position of Chief Operating Officer New Zealand and General Manager SKYCITY Auckland in December 2014. This saw John assume responsibility for SKYCITY's Hamilton and Queenstown operations in addition to his existing responsibility as General Manager SKYCITY Auckland. John has made a significant contribution to the Auckland business since he joined the team in June 2013, building a strong team culture, improving staff engagement, and providing strong leadership.

### THANKS

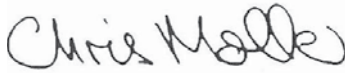
We would like to thank members of the SKYCITY Board for their ongoing wisdom, advice and support throughout what has been a very busy year with some very significant business decisions being made.

We also bid a warm farewell and offer our best wishes and thanks to Peter Cullinane, who will retire from the Board at the Company's 2015 Annual Meeting. Peter has championed the Company's increasing focus on corporate social responsibility, branding and reputation and his experience and insight will be sorely missed. We thank him sincerely for his contributions and wish him the very best in his future endeavours.

We would like to officially welcome Richard Tsiang to the SKYCITY Board. Richard was appointed to the Board as a Director in December 2014, replacing Rod McGeoch, who retired after a number of years on the Board, including eight years as Chairman. Richard was formerly Chief Development Officer with Melco Crown Entertainment in Macau and Group Chief Financial Officer of MGM Grand Macau. His extensive experience in the casino, entertainment, hospitality and tourism sectors in Asia is already proving invaluable in the SKYCITY boardroom.

Our thanks also to the SKYCITY Executive Team for their hard work, commitment and leadership in what has been a very busy year across each and every part of the business.

We appreciate the hard work that has been put in by each and every one of you in striving to achieve good results in your respective parts of the business. And finally, to each and every one of our staff across SKYCITY, thank you for your ongoing commitment and hard work. We all strive to ensure SKYCITY continues to be the leading entertainment destination in the cities in which we operate, delivering outstanding experiences for our customers each and every time they visit. Thank you for everything you do for SKYCITY – it is very much appreciated.



**CHRIS MOLLER**  
CHAIRMAN



**NIGEL MORRISON**  
MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER

### NORMALISED REVENUE

UP  
**8.7%**

EXCEEDING \$1 BILLION FOR THE FIRST TIME

### REPORTED NPAT

UP  
**30.7%**

TO \$128.7 MILLION

### INTERNATIONAL BUSINESS TURNOVER

UP  
**42.6%**

TO \$9.3 BILLION

### AUCKLAND NORMALISED EBITDA

UP  
**13.7%**

TO \$247.8 MILLION



# BRAND CAMPAIGN

This year, SKYCITY embarked on a significant brand campaign in New Zealand, titled ‘It All Starts Here’. Partnering with top advertising company Colenso BBDO and production company Finch, the campaign featured SKYCITY staff explaining in their own words SKYCITY’s central role across the community – socially, economically and culturally.



The campaign is built around four simple pillars: Opportunity, Community, Fine Food and Nights Out. It is divided into two equal parts – SKYCITY as a good citizen, and SKYCITY as a great place to go out at night.

When we started researching the campaign, it quickly became clear that while many people were familiar with our bars and restaurants they didn’t know we source over 90% of our products locally, or that we support Kiwi suppliers such as Akaroa Salmon in Canterbury and Curious Croppers in Clevedon.

Some of the best feedback we have had on the campaign to date has been on our community focus. Since 1996, SKYCITY has donated more than \$40 million through its community trusts to charities, community organisations and those who really need a helping hand in New Zealand. Most people had no idea how much money had gone to these worthy causes or how many groups and organisations had benefited.

Our staff have been at the forefront of the brand campaign, telling the public in their own words why they are proud to work at

SKYCITY. Prominent New Zealanders such as Olympian Valerie Adams have also lent a hand, explaining why they head to SKYCITY when they want to have a great night out, or show friends and visitors from out of town around Auckland – including that incredible view from the top of the Sky Tower, the Southern Hemisphere’s tallest building.

SKYCITY’s brand campaign is still on television and will remain there for at least the rest of 2015. It will also appear on billboards and bus shelters, in magazines, and run on the radio.

# SPONSORSHIP HIGHLIGHTS

## SKYCITY BREAKERS

The SKYCITY Breakers had a hugely successful season once again in 2014/15, taking out the National Basketball League title for the fourth time.

SKYCITY has been a principal sponsor of the SKYCITY Breakers since 2011 - the largest sponsorship deal in the Breakers' club history.



## NEW SPONSORSHIP - SKYCITY MYSTICS

SKYCITY is proud to have come on board as the naming rights sponsor of the Northern Mystics (now the SKYCITY Mystics), signing a three-year partnership with the team.

As a major sponsor of several top sports teams in New Zealand, this was the first sponsorship SKYCITY has undertaken in professional women's sport.

At the launch of the new partnership, SKYCITY Mystics Chief Executive Julie Paterson spoke about how the team has worked extremely hard to be recognised on an equal footing with male athletes, signalling just how significant SKYCITY's three-year sponsorship commitment is for women's sport in New Zealand.

The new sponsorship means SKYCITY is the home of the SKYCITY Mystics, with the team staying at the SKYCITY Grand Hotel before each of their home games. Their 2015 season launch was held at Gusto at the Grand, and players were also involved in several activities at SKYCITY throughout the season including a pasta cooking lesson by Sean Connolly.

The SKYCITY Mystics made it to the top four in the ANZ Championship competition for 2015.



# NEW ZEALAND INTERNATIONAL CONVENTION CENTRE

**The New Zealand International Convention Centre (NZICC) will be the country's premier convention centre and the first purpose built centre to cater for more than 3,000 people, enabling New Zealand to attract major international conferences.**

The NZICC is designed to be a welcoming, open building complemented by a fresh new streetscape for local, national and international visitors to enjoy. The light-filled building will possess fantastic views of Auckland in the heart of the CBD. This will be a flexible and dynamic space connected to the life of the city, day and night. In addition to hosting conferences and meetings, the NZICC has the capability to be set up for other events such as basketball or boxing, as well as theatre and musical performances.

The NZICC will occupy the southern half of a full block in Auckland's CBD bordered by Nelson, Wellesley and Hobson Streets. SKYCITY is building the NZICC as part of an agreement with the New Zealand Government and investing a minimum of \$430 million in this new facility.

## KEY STATISTICS

- 32,000 square metres total floor space
- Able to host up to 3,150 people for a single conference or combination of

- events (eg two concurrent events of up to 1,200 delegates each)
- 2,850 person plenary meeting space
- Can host a public event or meeting of up to 4,200 people in theatre-style seating
- Up to 8,100 square metres of ground floor exhibition space
- Banquet/dining capacity for up to 3,000 people
- Dramatic 100-metre long by 20-metre high public gallery and entry space
- Up to 1,415 car parking spaces at basement level

## CHANGES IN THE SURROUNDING STREETS

The NZICC can be entered on four sides, with Hobson Street the main accessway. People can look forward to a pedestrian-friendly tree-lined boulevard with widened footpaths. A new laneway will connect Hobson and Nelson Streets featuring bars, restaurants and cafe outlets for Aucklanders to enjoy alongside convention users – much like Federal Street nearby. The façade of the former Berlei factory on Nelson Street will be



restored and incorporated into the building, incorporating a striking traditional feature into the modern design.

## EXTERIOR FEATURES

The NZICC's major spaces will be defined in a series of tiered structures. These forms relate to the existing streetscape and neighbouring buildings.

The gallery and main entries will be marked by a terracotta-clad 'spine' wall, which will also define the edge of the public laneway.

The building's main spaces will have floor to ceiling windows. The transparent glass will be enhanced by innovative lighting, inviting people to enter and explore.

Visitors will be able to easily access the building via four entries, one for each side of the centre.

## INTERIOR FEATURES

There will be five floors of which levels one, three and five will form the core exhibition,





**Level five**

- Floor to ceiling windows on the plenary floor will provide panoramic views from Waitemata Harbour around the Ponsonby ridgeline to the Waitakere Ranges and back across the City, intimately connecting visitors to their experience of Auckland. The Auckland Harbour Bridge will also be a key feature of this view.
- A 2,850 person plenary theatre has a reception area alongside the Sunset Room, a banquet and function space for up to 840 people.

**NZICC DESIGN TEAM**

The NZICC design team is led by leading New Zealand architects Warren and Mahoney. The practice has many decades of experience in the design of major public and commercial commissions, including the Supreme Court and Christchurch Blueprint. Andrew Barclay is Design Director and Chairman John Coop is the Project Director.

A key collaborator is Principal Gavin Kain of Australian-based Woods Bagot Architects. Gavin Kain's experience includes the Melbourne Convention and Exhibition Centre, advisory services for the A\$1 billion Sydney International Convention Centre and leading both stages of the A\$350 million redevelopment of the Adelaide Convention Centre (currently in construction).

Craig Moller of Moller Architects completes the architectural design leadership team. Craig Moller has advised SKYCITY for many years.

Rachel de Lambert leads the Boffa Miskell urban and landscape design team.



meeting and plenary spaces. Key features of the main floors include:

**Level three**

- Considered the 'ground floor', the main 8,100 square metre exhibition space, flexible meeting rooms, Wellesley Street gallery space and main entry gallery.
- The restored façade of Nelson House will contribute to the character of the unique west-facing reception area.
- Full-height adjustable walls will provide adaptable, multifunctional spaces, which lead into a dramatic 100-metre long gallery and circulation area.

# SKYCITY - AN AWARD-WINNING BUSINESS



## SKYCITY AUCKLAND

- 2014 World Travel Awards, Australasia's Leading Casino Resort

### Grand Hotel

- 2015 TripAdvisor Travellers' Choice Award
- 2014 World Travel Awards, New Zealand's Leading Hotel Suite – Grand Presidential Suite

### Sky Tower

- 2015 TripAdvisor Traveller's Choice Award, #1 Tourist destination

### Depot

- 2015 Metro Restaurant of the Year Awards, Top 50
- 2015 Metro Restaurant of the Year Awards, Supreme Winner
- 2015 Cuisine NZ Good Food Awards, One Chef's Hat

### Federal Delicatessen

- 2015 Metro Restaurant of the Year Awards, Top 50

### The Grill by Sean Connolly

- 2015 Metro Restaurant of the Year Awards, Top 50
- 2015 Cuisine NZ Good Food Awards, One Chef's Hat

### Gusto at the Grand

- 2015 Metro Restaurant of the Year Awards, Top 50

### MASU by Nic Watt

- 2015 Metro Restaurant of the Year Awards, Top 50
- 2015 Cuisine NZ Good Food Awards, Two Chef's Hats
- 2015 Lewisham Hospitality Awards, Negotiants Outstanding Wine Service Professional (Meg Abbott-Walker)

### The Sugar Club

- Metro Restaurant of the Year Awards, Top 50
- 2015 TripAdvisor Certificate of Excellence

## SKYCITY HAMILTON

- 2015 Waikato Culinary Fare Commis Chef of the Year
- 2015 TripAdvisor Certificate of Excellence

## SKYCITY DARWIN

- 2015 Best Entertainment Venue – Northern Territory

## SKYCITY ADELAIDE

### Madame Hanoi

- Savour Australia Restaurant & Catering Awards for Excellence, Best New Restaurant Finalist

### Sean's Kitchen

- 2015 The City Awards, Best New Restaurant
- Savour Australia Restaurant & Catering Awards for Excellence, Best New Restaurant Finalist
- Restaurant and Bar Design Awards Finalist (winner to be announced later this year)

## NEW ZEALAND



### 1 AUCKLAND

RESTAURANTS / BARS / CAFÉS	20+
HOTEL ROOMS	635
GAMING MACHINES	1,647
TABLE GAMES	110
EMPLOYEES	3,400*
NORMALISED REVENUE	\$602.6M
NORMALISED EBITDA	\$247.8M

### 2 HAMILTON

RESTAURANTS / BARS / CAFÉS	7
GAMING MACHINES	339
TABLE GAMES	23
EMPLOYEES	400*
NORMALISED REVENUE	\$50.6M
NORMALISED EBITDA	\$19.9M

### 3 QUEENSTOWN (TWO SITES)

RESTAURANTS / BARS	3
GAMING MACHINES	156
TABLE GAMES	18
EMPLOYEES	100*
NORMALISED REVENUE	\$18.3M
NORMALISED EBITDA	\$2.9M

## AUSTRALIA



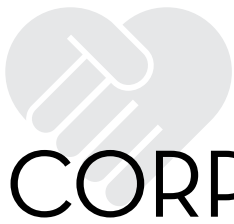
### 4 DARWIN

RESTAURANTS / BARS / CAFÉS	13
HOTEL ROOMS	120
RESORT ROOMS	30
GAMING MACHINES	730
TABLE GAMES	30
EMPLOYEES	800*
NORMALISED REVENUE	A\$137.1M
NORMALISED EBITDA	A\$38.9M

### 5 ADELAIDE

RESTAURANTS / BARS / CAFÉS	9
GAMING MACHINES	990
TABLE GAMES	90
EMPLOYEES	1,200*
NORMALISED REVENUE	A\$174.1M
NORMALISED EBITDA	A\$27.3M

\* Average during the 2015 financial year.



# CORPORATE SOCIAL RESPONSIBILITY

## Our commitment starts at Board level

To help us define our responsibilities and the effectiveness of our activities, we maintain operational supervision of our Corporate Social Responsibility (CSR) activities through management as well as governance-level oversight through our Board CSR Committee chaired by independent director, Peter Cullinane. This Committee directs all our commitment to care activities and is responsible for developing and maintaining our CSR policies.

The Committee focuses on the five pillars of our CSR Strategy being: responsible gaming; the environment; fair operating practices; labour practices and human rights; and community involvement and development.

It's important to us that our stakeholders are aware of these commitments and the actions we take: as a responsible corporate citizen; through our contributions to the cities and the economies that we are part of. For SKYCITY, Corporate Social Responsibility is a measured journey. We will continue to refine, to improve and to report on our progress.

## RESPONSIBLE GAMING

SKYCITY has a world-leading responsible gaming strategy designed to promote responsible consumption of alcohol and gaming on our sites. Our Host Responsibility Programmes are the most comprehensive in New Zealand and are recognised as amongst the best of any casino in the world. Through our world-class programmes, we provide safe

places for our customers to play, eat, drink and stay.

We invest many millions a year on Host Responsibility and all staff receive Host Responsibility training. Our casinos are highly supervised gaming venues, with hundreds of CCTV cameras and more than 130 security and surveillance staff in Auckland alone, which is how we continue to provide some of the safest places to gamble.

We offer voluntary pre-commitment on our gaming machines, enabling our customers to set their own limits on what they spend in terms of time and/or money. In New Zealand, we are the only gaming operator doing this.

At SKYCITY Auckland our Customer Service Ambassadors are stationed on the main gaming floor, quietly interacting with people, checking that they are okay and helping with any problems that may arise. The world-leading initiative recognises the difficulties of identifying un-carded machine players across a complex where 30,000 people come and go on a daily basis. Our VIP Services Hosts offer the same service in our VIP areas. At our tables, our dealers and supervisors watch carefully for any signs that may indicate hardship.

We remain committed to continually reviewing and improving our programme to maintain our world-leading position.

## THE ENVIRONMENT

Environmental matters are interconnected locally, regionally and globally and addressing

them requires a comprehensive, systematic and collective approach.

We also see environmental education and capacity building as fundamental to promoting the development of sustainable societies and lifestyles and to helping us maintain our reputation in communities.

## AUCKLAND

The treatment of waste is one of SKYCITY's greatest opportunities under the environmental pillar. In FY15 we commissioned an in-depth waste audit which identified real opportunities which are in the process of being evaluated and addressed by management.

To help reduce our energy levels, we have set a target of 95% energy-saving LED lighting across our Auckland site by 2016. So far, approximately 95% of the Sky Tower, 55% of the front of house, 50% of the SKYCITY Grand Hotel and 5% of the back of house have been converted to LED lighting.

The main site car park ventilation system has been replaced with an energy-efficient ventilation system that monitors carbon monoxide levels in the car park and switches on ventilation only when it is required. We anticipate this will save up to 75% of the current fan use (1,400,000 kWh).

So far, 18 of the 20 main site lifts have been upgraded or replaced to increase their efficiency. This has reduced their energy consumption by 70% on average. The remaining two lifts will be upgraded by the end of 2015.

We have also made several changes to our computer systems including replacing printer and multi-function devices with newer



devices that consume less power, and reducing the number of physical servers, which in turn has led to a substantial reduction in power consumption.

As part of the Federal Street Shared Space Project, the cobblestones that have been replaced were sent to a community project in New Lynn. Heritage kerbs were carefully removed and returned to Auckland Transport to re-use around Auckland CBD and concrete removed from the site was used for roading projects in Auckland. The feature green wall includes approximately 3,500 plants and a self-irrigating watering system, and stormwater run-off has been designed to direct the water from the SKYCITY plaza to the planned potential Victoria Park rain gardens (Victoria Street Linear Park) in time.

**ADELAIDE**

Our property management team has been working with external companies to reduce overall operating energy costs for mechanical heating, ventilation and air-conditioning (HVAC) plant and provide a cleaner system of air delivery to the gaming floor. Monitoring is now in place to measure energy usage across site and water use in the HVAC systems. Energy efficient lighting has also now been installed where appropriate and all new projects have energy efficient lighting specified.

Primary produce is also pre-prepared to reduce waste. Glass and scrap metal are recycled, furniture and other equipment are auctioned and electronic equipment is responsibly disposed of through the local council.

**DARWIN**

A NABERS (National Australian Built Environment Rating System) assessment has identified a number of ways for our Darwin property to achieve energy savings. The company is in the early stages of implementing these projects.

The electricity supply to the whole site can be conditioned to perform more efficiently with both power factor correction and voltage optimisation. Through the significant investment already earmarked for this project,

we will improve the quality of electricity supplied and increase the longevity of all electrical equipment. Voltage reduction will deliver site wide savings in the order of 10%.

Replacing older halogen lighting with newer LED technology will reduce both the energy required and the heat given off, meaning less cooling is required. All areas of the property that have been refurbished, or earmarked for future refurbishment, will have this new LED lighting installed.

Heating, ventilation and air-conditioning at the property are the largest energy consumers, using an estimated 53.5% of total site. Funds have been earmarked to implement a monitoring system to better capture the needs of the site.

Solar panels on the roof to heat hot water required for the hotel and casino coupled with excess production to be 'sold' back into the grid will greatly reduce our Darwin property's energy costs.

**HAMILTON**

The lighting system at SKYCITY Hamilton has been upgraded, replacing 700 halogen lamps with LED. These LED lights were installed in 2011 and have been operating 24/7 with zero to minimal maintenance.

Parts of the air-conditioning systems were also reprogrammed to use more filtered outside air to cool the building rather than refrigerated air. We are currently working through plans for the implementation of a plant maintenance programme which will see the removal of all R22 refrigerants and reduce the regular need for maintenance.

**QUEENSTOWN**

A programme is in place to progressively roll out LED and power save light globes across both Queenstown sites. Timers have been installed to air-conditioning and heating, shutting down just before closing time and then starting again one hour before opening, delivering good energy savings.

Recycling bins are in operation for glass, plastics and cardboard. Wood pallets are broken down and gifted to staff as kindling.

Cooking oils are removed and responsibly disposed of.

The UPS system has been upgraded to a more efficient, modern system and we have reduced the temperature at which our boilers operate to create further energy savings.

The Queenstown property has double glazing on all windows to improve insulation.

**FAIR OPERATING PRACTICES**

Relationships with other organisations are excellent opportunities to promote positive outcomes by providing leadership and promoting wider adoption of social responsibility.

Our procurement practices emphasise relationships and trust. We look for service, quality and value through our suppliers and it is testimony to the strength and loyalty that exists on both sides that we have a low turnover of suppliers. We continue to look for ways to achieve and reward innovation across our supply chain.

We have included CSR measurements as part of our supplier selection criteria, covering areas such as sustainability, packaging and waste management. These measures protect our reputation nationally and as a business, help offset our social impacts and add to our bottom line efficiency.

Through our Ethical Sourcing Code, we look to work with suppliers and partners who we deem to positively influence social, ethical and environmental performance, including ethical labour practices such as diversity.

Suppliers must as a minimum comply with all applicable laws and regulations relating to the environmental impacts of their business, and maintain procedures for notifying local authorities in the event of an environmental accident. Among the areas where we look for performance standards: waste management; packaging and paper; conservation; and energy use.

We prefer suppliers with an Environmental Management System and ISO Accreditation.

## MEMBERSHIPS AND AFFILIATIONS

As part of our efforts to ensure our human rights environment and initiatives are best practice, we are:

- A Member of the Sustainable Business Council NZ (SBC)
- A founding supporter for the Mayor's Youth Employability Traction plan
- Part of the COMET Steering Committee on Youth Employability
- A founding supporter and participant in the Rainbow Tick programme - supporting companies to provide safe and healthy environments for the LGBT (lesbian, gay, bisexual and transgender) community)
- A member of the Equal Employment Opportunities (EEO) Trust
- An ongoing corporate supporter of the UN Global Women Initiative
- A member of the Aboriginal Employment Industry Cluster Network in Adelaide, which aims to provide employment opportunities for Aboriginal & Torres Strait Islanders within the hospitality industry

SKYCITY Darwin is also a signatory to the Australian Employment Covenant which focuses on employment of indigenous Australians and is part of the Generation One Network.

## LABOUR PRACTICES AND HUMAN RIGHTS

### HEALTH AND SAFETY AT WORK

Being a good employer complements our work in being a responsible citizen. Having found, encouraged and retained the best people, we have an ongoing responsibility to keep them safe, happy and well. All our New Zealand sites are ACC Partnership Programme certified at tertiary level.

Our Lost Time Incident Frequency (LTIF) rate increased slightly on the previous year. However, through early intervention and recovery at work we were able to reduce the average lost time per case (a measure of the severity of the injury) by 29% across the Group.

In September 2014, our Adelaide site won the Safety category of the Restaurant and Catering South Australia Awards.

SKYCITY's Wellness Programme, Play Well, is a tailored wellness programme, run in conjunction with the Auckland Regional Public Health Service, that aims to encourage healthier individual behaviours by providing support, information, skills training and opportunities. Goals include improving our employees' health habits, increasing physical activity, reducing sick leave/absenteeism amongst our workforce and improving productivity.

The Wellness Programme itself incorporates positive parenting, nutrition and work life balance seminars, initiatives to celebrate cultural differences, mental wellbeing and exercise. This year, 200 people from across our Auckland site with different health objectives took part in our 70 Day Health Challenge. Also part of our Play Well programme was the annual 'Dare the Stairs', a 1,029-step challenge that sees participants choosing to walk either up or down the iconic Sky Tower.

### EMPLOYER OF CHOICE

In the final quarter of the year we completed a review of our remuneration banding to ensure it discouraged gender bias. Our continued focus and efforts to ensure that

SKYCITY provides fair and equitable remuneration to all staff saw us recognised with the Silver Award in the 2014 YWCA Pay Equity Awards.

Working with YWCA and Pivot Software we have also shared our journey and the benefits of having an equal pay remuneration system to the wider business public via conferences, blogs, presentations and meetings.

SKYCITY has been a key member of the Steering Committee of the SBC-led 'Welfare to Work' programme, focussed on removing barriers for vulnerable workers (particularly young mothers) to enter the paid workforce.

We continue to monitor the participation of female leaders/potential leaders in all our leadership programmes. This year, 41% of participants in our leadership development programmes were women.

As an inaugural supporter of the programme, SKYCITY has continued our strong commitment to the BEST Pasifika Leadership Academy, funding and supporting the participation of 11 Pasifika employees in the programme over the last four years. This programme has been an outstanding success and created opportunities for advancement into leadership roles for our Pasifika staff.

We continue to receive more than 1,000 registrations each month to become part of our talent pool, with an average of 3,000 applications for available positions each month. Today, we have more than 160,000 people looking for work at any one of our locations. Most of them reach us now through our SKYCITY Careers website, and our social media channels (Facebook, LinkedIn and Twitter). Access to such a rich variety of experience and knowledge makes us stronger, more flexible and responsive as workplaces to the shifting demands of the entertainment sector.

Adelaide Casino won the Employer of the Year award at the South Australia Training Awards for 2014, the second year running that the business has been a finalist for this award. Adelaide Casino was also one of just

three finalists for the National Employer of the Year.

**LEADERSHIP DEVELOPMENT**

Knowing that growing and retaining high potential leaders is critical to our continued success, we have worked with an external specialist consultancy in Leadership Development practices to develop an internally delivered programme entitled INSPIRE. This defines the values and expectations of our leaders and is designed to drive inspirational leadership. Over 200 of our front line and senior leaders have taken part in this programme through one of five different development workshops.

**COMMUNITY INVOLVEMENT AND DEVELOPMENT**

**COMMUNITY PARTNERSHIPS**

**Variety – The Children's Charity**

SKYCITY has supported Variety – The Children's Charity since 2004. Since 2013, SKYCITY Auckland has hosted the Variety of Chefs Dinner, a fundraising dinner which attracts around 350 guests. This year, MASU chef Nic Watt teamed up with Adam D'Sylva, executive chef at Coda and Tonka in Melbourne, for a trans-Tasman style cook-off, each producing an entrée, main, and dessert for a very appreciative crowd. Guests were encouraged to sponsor a child or to take part in a charity auction with quality prizes.

The proceeds from the evening went back to Variety to help make a difference to the many New Zealand families in need.

Since 2009, SKYCITY Auckland has hosted Variety Bingo every Sunday through to Friday in the SKYCITY Theatre. We also host Variety Bingo at SKYCITY Hamilton. All proceeds are donated to Variety. In 2015, a total of \$141,670 was raised, bringing the total raised through these bingo events since they began to over \$643,660.

**Leukaemia & Blood Cancer New Zealand**

SKYCITY has supported Leukaemia & Blood Cancer New Zealand for 10 years. The partnership has grown in that time and now includes three iconic fundraising events.

Dining For a Difference, an event inspired by Peter Gordon (The Sugar Club and Bellota), has been supported by SKYCITY since 2008. Each year, 13 invited international chefs hailing from New Zealand, Australia and the UK come together in the one kitchen and prepare a three-course fine dining style menu for the event's 280 guests.

Hosted by SKYCITY at the Sky Tower, the Firefighter Sky Tower Stair Challenge celebrated its 11th year in 2015. More than 700 courageous firefighters, auxiliary teams and special guests participated in this gruelling event, wearing full firefighting kit weighing in at 25kg. This event now attracts firefighters from New Zealand, Australia and the USA and in 2015 raised \$1.04 million.

Three years ago, the Sky Tower Corporate Challenge was launched, building on the reputation of the Firefighter Challenge. This event too has been a huge success and has raised significant funds. In 2015, over \$346,000 was raised.

**Kidz First Children's Hospital**

SKYCITY recognises the significant contribution of the Middlemore Foundation to the establishment of the Kidz First Children's Hospital. We continue to fundraise to ensure resources and equipment are in place to help sick kids and support their families. Each year, SKYCITY hosts the Kidz First Christmas Party, a wonderful afternoon dedicated to the children, families and caregivers. The annual event, which draws some 250 guests, was first hosted in 2004. It is held on-site at SKYCITY's Auckland venue. At the most recent event, SKYCITY Breakers, Vodafone Warriors and the Blues players attended, manning Christmas card colouring-in and craft stations and face painting stations, as well as helping with bubble blowing, gift giving with Santa and spending time meeting and talking to the families.

**Blue September**

'Blue September' is an initiative by the Prostate Cancer Foundation of New Zealand to raise public awareness about prostate cancer and the advantages of early detection. The campaign was launched in 2008 at SKYCITY. Every September since then,

we have lit the Sky Tower blue for the whole month to draw attention to the cause. We also host fundraising events. In 2015, that event was the 'Good Man Poker Night' with all ticket sales donated to the Prostate Cancer Foundation of New Zealand.

**Auckland RSA – Annual Poppy Day Appeal**

SKYCITY supports the Auckland Returned and Services Association (RSA) by lighting the Sky Tower red in the lead up to ANZAC Day. In 2014, a larger than life image of a poppy was projected onto the Sky Tower, and in 2015 SKYCITY hosted a World War One centennial commemoration display, inviting visitors to pay their respects by adding a special poppy sticker to the windows of the Sky Tower. SKYCITY also promotes the RSA Poppy Day Appeal across its site and media channels, with over 20 poppy donation collection boxes placed around site in our bars and restaurants to encourage our customers and visitors to provide their support for the appeal. SKYCITY Breakers, Vodafone Warriors and the Blues players help with these fundraising efforts, volunteering to sell the distinctive red poppies for a donation supporting veterans, ex-service people and their families in need.

**AUCKLAND**

SKYCITY Auckland Community Trust distributed more than \$2.4 million across 112 community organisations in 2015.

Although this was a smaller number of organisations than previously, more successful applicants received the full funding they had asked for rather than a contribution. The full list of grants can be found at [www.skycityauckland.co.nz/grants](http://www.skycityauckland.co.nz/grants). There was also a change in the method for calculating funds this year that reduced the amount paid as we moved from estimating for the final quarter to a process based on actual contributions. We intend to report on a full 12-month contribution distribution basis next year.

**HAMILTON**

SKYCITY Hamilton Community Trust distributed \$456,345 across 134 organisations this year.





In Hamilton, we support a number of smaller charities and fund-raising initiatives with bowling and food and beverage vouchers. We also have a partnership with Hamilton North School which provides special needs children with discounted access to The Boulevard as part of the school's community integration programme.

This year we supported the Hamilton Christmas Trust, the Round the Bridges 70th Anniversary event and Hamilton's 150th Birthday, and we sponsored two categories in the Westpac Waikato Chamber of Commerce Business Excellence Awards. We also contributed to smaller community events that further connect us with the local community.

### QUEENSTOWN

SKYCITY Queenstown Casino Community Trust distributed \$99,726 across 50 community groups this year.

The American Express Queenstown Winter Festival is a week long celebration to launch the start of winter in the Southern Hemisphere. It has been running in Queenstown for 40 years, and SKYCITY Queenstown Casino has been sponsoring the event in some way or another since opening 14 years ago. Other sponsorships this year have included The DNA Gay Ski Week, the Queenstown Jazz Festival and the Cromwell Christmas Races.

### ADELAIDE

Adelaide Casino continues to support the Flinders Medical Centre Foundation (FMCF). To date, over A\$100,000 has been raised for FMCF through FMCF Bingo hosted by Adelaide Casino.

We help raise funds for disadvantaged and sick children in South Australia each year by participating in the Variety Bash run by Variety, – the Children's Charity. This year we raised more than A\$35,000.

In addition, we raised over A\$3,000 for OzHarvest, we assist the Red Cross with disaster relief appeals and regularly donate unclaimed lost property items to the Salvation Army.

### DARWIN

We donate to the community through our Cash Donation Charity Box and through vouchers which are donated as prizes for events, raffles and fundraising. 'Charity Box' is a cash donation box on the property which is regularly rotated amongst charities RSPCA, Sids and Kids and the Cancer Council. Restaurant and accommodation vouchers have been donated for events, fundraising and raffles to 99 groups including sporting groups, schools, charities, and local businesses.

# OUR BOARD

THE SKYCITY board draws on the diverse skills of highly-respected directors with years of experience in leadership and governance across a range of sectors.



## 1 CHRIS MOLLER - Chairman

Member of the Audit and Financial Risk Committee  
 Member of the Remuneration and Human Resources Committee  
 Member of the Corporate Social Responsibility Committee  
 Chairman of the Governance and Nominations Committee  
 Appointed a Director of SKYCITY in December 2008

Chris Moller is currently Chairman of Meridian Energy Limited and the New Zealand Transport Agency and a director of Westpac New Zealand Limited. In his previous role as CEO of the New Zealand Rugby Union, Chris jointly led New Zealand's successful bid to host the 2011 Rugby World Cup. Chris' career has included senior posts with the New Zealand Dairy Board, including global Chief Financial Officer and Managing Director of NZMP, the international ingredients business of the New Zealand Dairy Board and subsequently Fonterra, where he also held the position of Deputy Chief Executive of Fonterra. His early career was in the finance and banking sectors. He is a Fellow of the Institute of Chartered Accountants and was appointed as a Companion of the New Zealand Order of Merit in January 2015 for services to business and sport.

## 2 BRUCE CARTER - Deputy Chairman

Chairman of the Audit and Financial Risk Committee  
 Member of the Governance and Nominations Committee  
 Appointed a Director of SKYCITY in October 2010

Based in Adelaide, Australia, Bruce Carter is a Consultant to Ferrier Hodgson in Adelaide and was one of the founding partners of the Adelaide practice in 1992. He was formerly a partner at Ernst & Young and has more than 30 years' experience in corporate restructuring and insolvency. Bruce is currently Chairman of ASC Pty Ltd (Australian Submarine Corporation) and a director of Bank of Queensland Limited as well as a number of private companies and government bodies. He is a Fellow of the Institute of Chartered Accountants.

### 3 BRENT HARMAN - Director

Chairman of the Remuneration and Human Resources Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in December 2008

Brent Harman is an experienced broadcaster and company director with a background in managing publicly listed companies in Australia and the United Kingdom. Brent has held senior executive and board positions in the broadcast and news media industries in New Zealand, the United Kingdom and Australia.

### 4 PETER CULLINANE - Director\*

Chairman of the Corporate Social Responsibility Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in March 2008

Peter Cullinane has led the development of some of New Zealand's most iconic brands, applying strategic and creative thinking both locally and internationally, which led to his previous appointment as Chief Operating Officer, Saatchi & Saatchi Worldwide. Since returning to New Zealand and establishing Assignment Group, Peter has specialised in strategic advice to a wide range of New Zealand and international clients. He is a director of STW Communications Group Limited, one of Australasia's largest marketing communications groups, a director of APN News & Media Limited and a founder and director of Lewis Road Creamery Limited.

\* Peter Cullinane will retire at SKYCITY's upcoming 2015 Annual Meeting.

### 5 SUE SUCKLING - Director

Member of the Remuneration and Human Resources Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in May 2011

Sue Suckling is responsible for leading the board's agenda on health and safety and ensuring that health and safety is monitored and that appropriate issues are addressed as necessary.

Sue is a director and consultant with over 25 years' experience in corporate governance. Sue is currently the Chair of the New Zealand Qualifications Authority, Callaghan Innovation Research Limited, Jacobsen Holdings Limited and ECL Group Limited. She is a director of Restaurant Brands New Zealand Limited and a member of the New Zealand Takeovers Panel. Previous governance roles include chairing NIWA, AgriQuality Limited, and as a director of Westpac Investments Limited and the New Zealand Dairy Board. In 1996, she was awarded an OBE for her contribution to New Zealand business. Sue is a Fellow of the New Zealand Institute of Directors and a Companion of the Royal Society of New Zealand.

### 6 RICHARD DIDSBURY - Director

Member of the Corporate Social Responsibility Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in July 2012

Richard Didsbury graduated as an Engineer from Auckland University and has enjoyed a distinguished career in property investment and development. Richard founded, and is currently a director of, the Kiwi Property Group Limited (KPG), which is now the largest property vehicle listed on the NZX. He is well known for his work as a past president of the Property Council of New Zealand and is currently Chairman of Committee for Auckland Limited. He is a director of Auckland International Airport Limited and Hobsonville Land Company Limited, which is developing a major new waterfront community in Auckland's north-west. His previous governance roles include being a director of Infrastructure Auckland and Tourism Auckland.

### 7 RICHARD TSIANG - Director

Member of the Audit and Financial Risk Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in December 2014

Based in both Melbourne, Australia, and Hong Kong, Richard Tsiang is a Consultant and Advisory Board member to The Hong Kong Jockey Club. He was formerly Chief Development Officer of Melco Crown Entertainment in Macau from 2007 to 2011 and Group Chief Financial Officer of MGM Grand Macau from 2006 to 2007. Prior to that time, he was Managing Director of Cendant Corporation in Asia, a US Fortune 500 company, involved in real estate, travel distribution, hospitality and vehicle rental companies, Avis and Budget. From 2000 to 2004, Richard was Chief Financial Officer and Head of Strategy for Yahoo Asia, based in Hong Kong. His early career was spent in Australia as a qualified chartered accountant working for PricewaterhouseCoopers.

### 8 NIGEL MORRISON - Managing Director

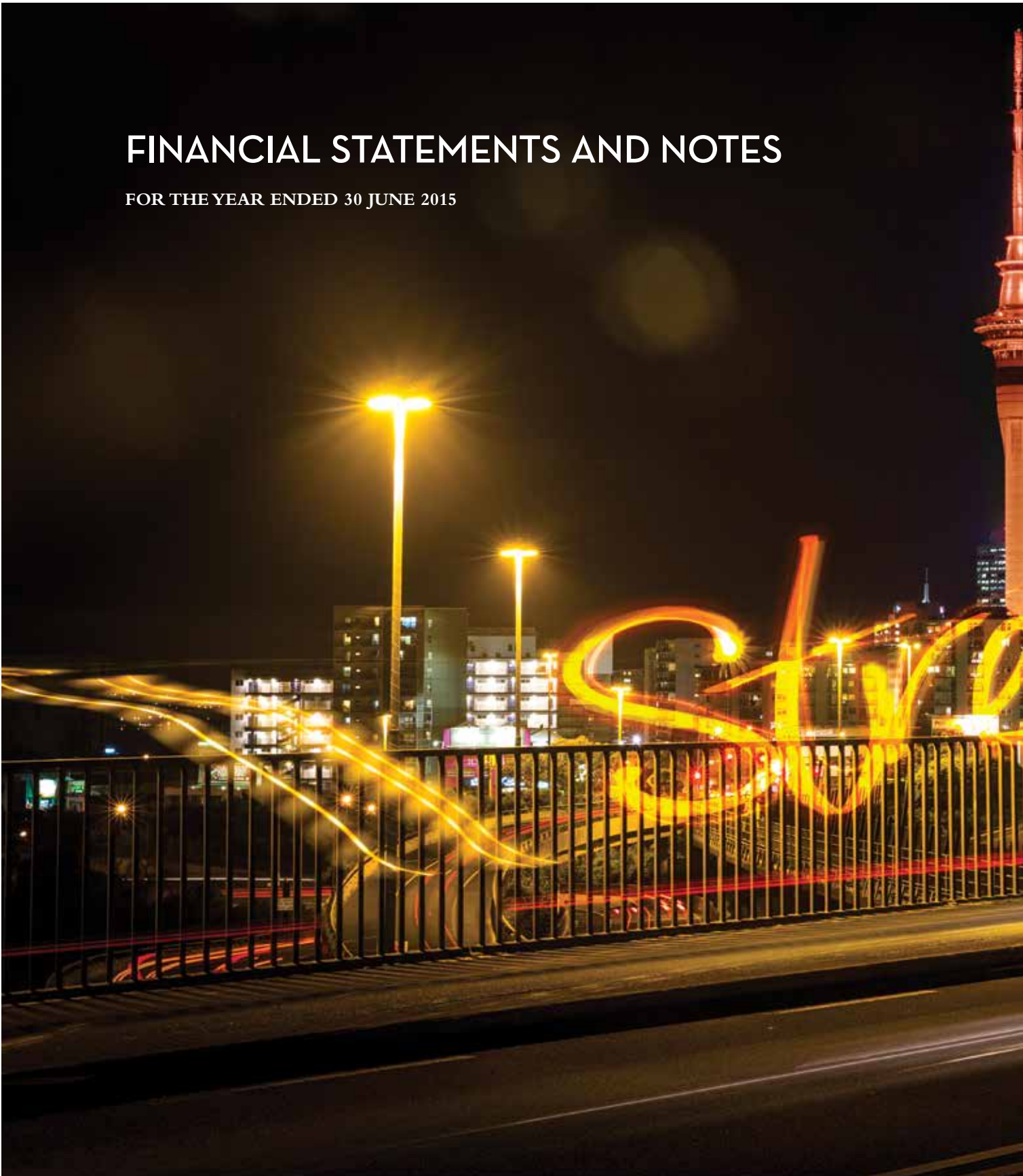
Appointed a Director of SKYCITY in December 2008

Nigel Morrison joined SKYCITY as Managing Director and Chief Executive in 2008 having had over 18 years' experience in the gaming industry throughout Australasia and Asia. Prior to being appointed Chief Executive Officer of SKYCITY, Nigel was the Group Chief Financial Officer of Galaxy Entertainment Group, a leading publicly-listed Hong Kong-based group operating and developing casinos in Macau. He has also held positions as CEO of the Federal Group, Australia's largest private gaming group and Chief Operating Officer of Crown Limited. Before embarking on a career in casinos in 1993, Nigel was a Corporate Finance Partner with Ernst & Young in Melbourne, specialising in the gaming industry. In 2009, Nigel was awarded professional accountancy organisation CPA Australia's highest acknowledgment for career achievement. Nigel attended and completed the INSEAD Advanced Management Programme in 2015.



# FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED 30 JUNE 2015





**INDEPENDENT AUDITORS' REPORT**

to the shareholders of SKYCITY Entertainment Group Limited

***Report on the Financial Statements***

We have audited the Group financial statements of SKYCITY Entertainment Group Limited ("the Company") on pages 28 to 66, which comprise the balance sheet as at 30 June 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement 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 the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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's preparation and fair presentation of the financial statements 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'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.

Our firm carries out other services for the Group in the areas of accounting assistance, tax, and other advisory services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditors of the Group.

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T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz*



**Opinion**

In our opinion, the financial statements on pages 28 to 66 present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

**Restriction on Use of our Report**

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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  
12 August 2015

Auckland

FOR THE YEAR ENDED 30 JUNE 2015	NOTES	CONSOLIDATED	
		2015 \$'000	2014 \$'000
Total receipts including GST	4	1,036,966	928,228
Less non-gaming GST	4	(29,259)	(26,694)
Gaming win plus non-gaming revenue	4	1,007,707	901,534
Less gaming GST	4	(91,620)	(81,051)
Revenue	4	916,087	820,483
<b>Revenue</b>	4	<b>916,087</b>	<b>820,483</b>
Other income	5	1,356	1,000
Employee benefits expense		(302,748)	(280,009)
Other expenses	6	(137,772)	(121,007)
Directors fees		(1,179)	(1,130)
Restructuring costs	6	(4,316)	(9,170)
Gaming taxes and levies		(56,676)	(55,361)
Direct consumables		(75,327)	(68,028)
Marketing and communications		(35,348)	(30,343)
Gain on disposal of associate		-	934
<b>Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)</b>		<b>304,077</b>	<b>257,369</b>
Depreciation and amortisation expense	6	(89,292)	(80,769)
Earnings before interest and tax (EBIT)		214,785	176,600
Finance costs - net	7	(43,927)	(48,049)
Profit before income tax		170,858	128,551
Income tax expense	8	(42,114)	(30,014)
<b>Profit for the year</b>		<b>128,744</b>	<b>98,537</b>
<b>Earnings per share for profit attributable to the shareholders of the company:</b>	<b>NOTES</b>	<b>CENTS</b>	<b>CENTS</b>
Basic earnings per share	9	22.0	17.0
Diluted earnings per share	9	22.0	17.0

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

FOR THE YEAR ENDED 30 JUNE 2015	NOTES	CONSOLIDATED	
		2015 \$'000	2014 \$'000
<b>Profit for the year</b>		<b>128,744</b>	<b>98,537</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of overseas subsidiaries	23	11,719	(27,102)
Movement in cash flow hedges	23	(2,805)	(4,546)
Income tax relating to components of other comprehensive income	23	768	1,375
Other comprehensive income for the year		9,682	(30,273)
<b>Total comprehensive income for the year, net of tax</b>		<b>138,426</b>	<b>68,264</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Shareholders of the company		138,426	68,264

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



FOR THE YEAR ENDED 30 JUNE 2015	NOTES	CONSOLIDATED	
		2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	10	53,232	54,052
Receivables and prepayments	11	16,654	18,810
Inventories		8,362	7,871
Tax prepayment	12	45,227	33,158
Derivative financial instruments	13	32	769
<b>Total current assets</b>		<b>123,507</b>	<b>114,660</b>
<b>Non-current assets</b>			
Tax prepayment	12	779	21,183
Property, plant and equipment	14	1,174,248	1,141,947
Intangible assets	15	556,029	537,648
Derivative financial instruments	13	70,998	15,889
<b>Total non-current assets</b>		<b>1,802,054</b>	<b>1,716,667</b>
<b>Total assets</b>		<b>1,925,561</b>	<b>1,831,327</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	16	130,085	119,500
Interest bearing liabilities	17	-	81,724
Derivative financial instruments	13	675	10,753
Subordinated debt - capital notes	19	-	76,441
<b>Total current liabilities</b>		<b>130,760</b>	<b>288,418</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	17, 18	699,092	498,935
Provisions		3,739	-
Deferred tax liabilities	20	80,613	75,715
Derivative financial instruments	13	33,513	28,833
Deferred licence value	15	160,922	165,541
<b>Total non-current liabilities</b>		<b>977,879</b>	<b>769,024</b>
<b>Total liabilities</b>		<b>1,108,639</b>	<b>1,057,442</b>
<b>Net assets</b>		<b>816,922</b>	<b>773,885</b>
<b>EQUITY</b>			
Share capital	22	758,800	737,546
Reserves	23(a)	(38,894)	(48,576)
Retained earnings	23(b)	97,016	84,915
<b>Total equity</b>		<b>816,922</b>	<b>773,885</b>

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

## STATEMENT OF CHANGES IN EQUITY



FOR THE YEAR ENDED 30 JUNE 2015	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVES \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED PROFITS \$'000	TOTAL EQUITY \$'000
<b>CONSOLIDATED</b>						
<b>Balance as at 1 July 2013</b>		729,395	(5,595)	(12,708)	101,799	812,891
<b>Total comprehensive income/(expense)</b>		-	(3,171)	(27,102)	98,537	68,264
Dividends provided for or paid	24	-	-	-	(115,421)	(115,421)
Shares issued under dividend reinvestment plan	22	20,126	-	-	-	20,126
Share rights issued for employee services	22	1,238	-	-	-	1,238
Net purchase of treasury shares	22	(13,213)	-	-	-	(13,213)
<b>Balance as at 30 June 2014</b>		<b>737,546</b>	<b>(8,766)</b>	<b>(39,810)</b>	<b>84,915</b>	<b>773,885</b>
<b>Balance as at 1 July 2014</b>		<b>737,546</b>	<b>(8,766)</b>	<b>(39,810)</b>	<b>84,915</b>	<b>773,885</b>
<b>Total comprehensive income/(expense)</b>		-	(2,037)	11,719	128,744	138,426
Dividends provided for or paid	24	-	-	-	(116,643)	(116,643)
Shares issued under dividend reinvestment plan	22	19,254	-	-	-	19,254
Share rights issued for employee services	22	1,245	-	-	-	1,245
Net purchase of treasury shares	22	755	-	-	-	755
<b>Balance as at 30 June 2015</b>		<b>758,800</b>	<b>(10,803)</b>	<b>(28,091)</b>	<b>97,016</b>	<b>816,922</b>

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

FOR THE YEAR ENDED 30 JUNE 2015	NOTES	CONSOLIDATED	
		2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		918,243	820,259
Payments to suppliers and employees		(550,189)	(501,268)
		<b>368,054</b>	<b>318,991</b>
Dividends received		8	5
Gaming tax paid		(48,328)	(48,206)
Income taxes paid		(29,059)	(40,017)
<b>Net cash inflow from operating activities</b>	<b>31</b>	<b>290,675</b>	<b>230,773</b>
<b>Cash flows from investing activities</b>			
Purchase of/proceeds from property, plant and equipment		(106,310)	(156,164)
Payments for intangible assets		(5,724)	(11,899)
Proceeds from sale of Christchurch Casinos Limited		-	1,440
<b>Net cash outflow from investing activities</b>		<b>(112,034)</b>	<b>(166,623)</b>
<b>Cash flows from financing activities</b>			
Cash flows associated with derivatives	13	4,839	9,202
Drawdown of borrowings		128,074	67,193
Proceeds from sale of capital notes		-	20,000
Repayment of borrowings		(168,751)	-
Net purchase of treasury shares	22	755	(13,213)
Dividends paid to company shareholders	24	(97,389)	(95,295)
Interest paid		(46,989)	(49,116)
<b>Net cash (outflows) from financing activities</b>		<b>(179,461)</b>	<b>(61,229)</b>
<b>Net increase / (decrease) in cash and bank balances</b>		<b>(820)</b>	<b>2,921</b>
Cash and bank balances at the beginning of the year		54,052	51,131
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>53,232</b>	<b>54,052</b>

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



## 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 consolidated financial statements were approved for issue by the board of directors on 12 August 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

#### *Entities Reporting*

The Group has a small negative working capital balance. The Group has significant available undrawn banking facilities totalling \$217 million as at 30 June 2015 (refer to note 18) and has the ability to fully pay all debts as they fall due.

The Group is designated as a profit-oriented entity for financial reporting purposes.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2015 and the results of all subsidiaries for the year then ended.

#### *Statutory Base*

SKYCITY Entertainment Group Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013, because group financial statements are prepared and presented for SKYCITY Entertainment Group Limited and its subsidiaries, separate financial statements for SKYCITY Entertainment Group Limited are no longer required to be prepared and presented.

### *Measurement Basis*

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

### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies. Judgement is used in the following areas: estimated impairment of goodwill, indefinite 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(p). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (refer notes 6 and 15).

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

### (b) Principles of Consolidation

#### *(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the net fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

### **(c) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating 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 that best reflects the economic substance of the underlying events and circumstances relevant to that operation (functional currency). The consolidated financial statements are presented in New Zealand dollars which is 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.

#### **(iii) Foreign Operations**

The results and financial position of foreign entities (none of which has the currency of a hyper-inflationary 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, Sky Tower, carparking and other revenues. Casino revenues represent the net win to the casino from gaming activities, being the difference between amounts wagered and amounts won by casino patrons.

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

#### **(ii) Interest Income**

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

#### **(iii) Dividend Income**

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

#### **(iv) Loyalty Programme**

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

### **(f) Income Tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for a deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **(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**

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.

#### **(i) Impairment of Non Financial Assets**

Intangible assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

#### **(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 financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### ***(i) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

##### ***(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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents' and 'trade and other receivables' in the balance sheets (notes 2(j) and (k)).

#### **(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 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

The 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

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 acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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



**(ii) Casino Licences**

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

The casino licences that have been determined to have an indefinite useful life for amortisation purposes are not amortised but are reviewed for impairment on an annual basis.

**(iii) Regulatory reforms associated with casino licences**

Regulatory reforms granted which are specific to the Group are initially recognised at their fair value where there is a reasonable assurance that the reforms will be received and the Group will comply with all conditions attached.

Regulatory reforms are recognised as an intangible asset and included within the value of casino licences. Where a regulatory reform is related to property, plant and equipment, once constructed the carrying value of that property, plant and equipment is reduced by the value of the regulatory reforms. Prior to construction of the related property, plant and equipment, the value of the regulatory reforms is accounted for as deferred licence value.

**(iv) 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 life (three to seven years).

**(q) Payables**

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

**(r) Borrowings**

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

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

**(s) Borrowing Costs**

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

**(t) Employee Benefits****(i) Wages, Salaries and Annual Leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the reporting date and redundancy payments 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 shares and/or share rights 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 company 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.

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) 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.

**(z) 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 2015 or later periods, but which the Group has not early adopted. The significant items are:

- NZ IFRS 9, Financial Instruments (Effective date: periods beginning on or after 1 January 2018). NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or

after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 from 1 July 2015 and it is not expected to significantly impact the Group.

- NZ IFRS 15, Revenue from Contracts with Customers (Effective date: periods beginning on or after 1 January 2017). NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 from 1 July 2017 and is currently assessing its full impact.

### 3 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, 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 SKYCITY Wharf.
- **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 Officer'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
<b>2015</b>							
Revenue from external customers and other income	473,725	56,157	152,291	123,170	112,100	-	917,443
Expenses	(245,540)	(34,288)	(129,069)	(82,738)	(82,217)	(39,514)	(613,366)
Depreciation and amortisation	(47,759)	(5,489)	(16,319)	(13,782)	-	(5,943)	(89,292)
Segment profit/EBIT	180,426	16,380	6,903	26,650	29,883	(45,457)	214,785
Finance costs							(43,927)
Profit before income tax							170,858
Segment assets	700,918	58,321	493,749	364,967	-	307,606	1,925,561
Net additions to non current assets (other than financial assets and deferred tax)	32,330	3,913	20,023	16,945	-	29,872	103,083
<b>2014</b>							
Revenue from external customers and other income	430,519	53,949	150,504	130,704	55,807	-	821,483
Shares of net profits of associates	-	934	-	-	-	-	934
Expenses	(226,366)	(35,426)	(118,465)	(90,298)	(58,083)	(36,410)	(565,048)
Depreciation and amortisation	(44,898)	(5,269)	(11,508)	(13,425)	-	(5,669)	(80,769)
Segment profit/EBIT	159,255	14,188	20,531	26,981	(2,276)	(42,079)	176,600
Finance costs							(48,049)
Profit before income tax							128,551
Segment assets	726,167	62,786	454,450	339,401	-	248,523	1,831,327
Net additions to non current assets (other than financial assets and deferred tax)	17,417	7,849	47,899	8,691	-	73,192	155,048

**3 SEGMENT INFORMATION (continued)**

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>Revenue - products and services</b>		
Local gaming	591,966	570,532
International Business gaming	112,100	55,807
Non-gaming	212,021	194,144
<b>Total revenue</b>	<b>916,087</b>	<b>820,483</b>
<b>Revenue - geographic</b>		
New Zealand	602,074	522,133
Australia	314,013	298,350
<b>Total revenue</b>	<b>916,087</b>	<b>820,483</b>
<b>Non-current asset additions - geographic</b>		
New Zealand	66,115	98,459
Australia	36,968	56,589
<b>Total non-current asset additions</b>	<b>103,083</b>	<b>155,048</b>
<b>Non-current assets excluding financial instruments - geographic</b>		
New Zealand	914,156	934,818
Australia	816,900	765,960
<b>Total non-current assets excluding financial instruments</b>	<b>1,731,056</b>	<b>1,700,778</b>



## 4 REVENUE

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Total receipts including GST	1,036,966	928,228
Less non-gaming GST	(29,259)	(26,694)
Gaming win plus non-gaming revenue	1,007,707	901,534
Less gaming GST	(91,620)	(81,051)
<b>Total revenue</b>	<b>916,087</b>	<b>820,483</b>
Gaming	704,066	626,339
Non-gaming	212,021	194,144
<b>Total revenue</b>	<b>916,087</b>	<b>820,483</b>

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

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.

## 5 OTHER INCOME

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Net gain on disposal of property, plant and equipment	1,348	995
Dividend income	8	5
	<b>1,356</b>	<b>1,000</b>

**6 EXPENSES**

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<b>Depreciation</b>		
Buildings and fitout	27,359	24,421
Plant and equipment	40,226	37,915
Fixtures and fittings	10,832	9,516
Motor vehicles	492	403
<b>Total depreciation</b>	<b>78,909</b>	<b>72,255</b>
<b>Amortisation</b>		
Casino licences (Adelaide)	4,402	3,115
Computer software	5,981	5,399
<b>Total amortisation</b>	<b>10,383</b>	<b>8,514</b>
<b>Total depreciation and amortisation</b>	<b>89,292</b>	<b>80,769</b>
<b>Other expenses includes:</b>		
Utilities, insurance and rates	23,014	23,002
Community Trust donations	3,762	2,635
Minimum lease payments relating to operating leases	4,675	4,382
Other property expenses	14,023	14,035
Other items (including International commissions)	92,197	75,944
Provision for bad and doubtful debts	101	1,009
	<b>137,772</b>	<b>121,007</b>
<b>Restructuring costs:</b>		
Adelaide redevelopment costs	1,689	4,262
NZICC costs	629	344
Strategic projects	-	1,372
Darwin pre-opening costs	104	-
Restructuring costs	1,576	2,305
Auckland project costs	318	887
	<b>4,316</b>	<b>9,170</b>

## 6 EXPENSES (continued)

### Auditors' fees

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

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>(a) Assurance services</b>		
<b>Audit services</b>		
PricewaterhouseCoopers Group Audit	766	665
Total remuneration for audit services	766	665
<i>Other assurance services provided by PricewaterhouseCoopers</i>		
Accounting advice and assistance	27	42
Tax compliance services	89	106
Total remuneration for other assurance services	116	148
Total remuneration for assurance services	882	813
<b>(b) Other services</b>		
PricewaterhouseCoopers		
Taxation advisory services*	248	295
Executive benchmarking assistance	30	156
Total remuneration for taxation services	278	451
	1,160	1,264

\*Tax Services in relation to ad-hoc queries covering a range of tax related matters.

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 Financial Risk Committee.

**7 FINANCE COSTS - NET**

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<i>Finance costs</i>		
Interest and finance charges	47,328	50,130
Exchange gains	(1,077)	(125)
Interest income	(2,324)	(1,956)
Total finance costs	43,927	48,049

**8 INCOME TAX EXPENSE**

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>(a) Income Tax Expense</b>		
Current tax	35,976	39,952
Deferred tax	6,138	(9,938)
	42,114	30,014
<b>(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable</b>		
Profit from continuing operations before income tax expense	170,858	128,551
Tax at the New Zealand tax rate of 28% (2014: 28%)	47,840	35,994
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net non-deductible items	165	717
Share of net profit of associates	-	(262)
Foreign exchange rate differences	(948)	98
Share of partnership expenditure	(7,045)	(6,546)
Differences in overseas tax rates	742	(372)
Under provision in prior years	1,360	385
Income tax expense	42,114	30,014

The weighted average applicable tax rate was 24.6% (2014: 23.3%).



## 9 EARNINGS PER SHARE

	CONSOLIDATED	
	2015 CENTS	2014 CENTS
<b>Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	22.0	17.0
<b>Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	22.0	17.0

### (a) Reconciliations of Earnings used in Calculating Earnings Per Share

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	128,744	98,537

### (b) Weighted Average Number of Shares used as the Denominator

	2015 NUMBER	2014 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	586,071,258	579,706,028

There are no dilutive potential ordinary shares and therefore basic and diluted earnings per share are the same.

## 10 CASH AND BANK BALANCES

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Cash at bank	12,302	12,056
Cash in house	40,930	41,996
	53,232	54,052

## 11 RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Trade receivables (net)	10,226	13,643
Sundry receivables	3,294	2,286
Prepayments	3,134	2,881
	16,654	18,810

## 12 NET TAX RECEIVABLES

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Tax prepayment - current	45,227	33,158
Tax prepayment - non-current	779	21,183
	46,006	54,341

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

## 13 DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>Current assets</b>		
Forward foreign exchange contracts	32	769
Total current derivative financial instrument assets	32	769
<b>Non-current assets</b>		
Interest rate swaps - cash flow hedges	-	252
Cross-currency interest rate swaps - cash flow hedges	70,998	15,637
Total non-current derivative financial instrument assets	70,998	15,889
<b>Current liabilities</b>		
Forward foreign currency contracts	327	415
Interest rate swaps - cash flow hedges	348	836
Cross-currency interest rate swaps - cash flow hedges	-	9,502
Total current derivative financial instrument liabilities	675	10,753
<b>Non-current liabilities</b>		
Interest rate swaps - cash flow hedges	33,513	24,039
Cross-currency interest rate swaps - cash flow hedges	-	4,794
Total non-current derivative financial instrument liabilities	33,513	28,833

During the year there were no fair value hedges.

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

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. As at 30 June 2015, there was no collateral deposited with counterparties to derivatives (2014: \$7,339,042).

## 14 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
<b>CONSOLIDATED</b>							
<b>At 30 June 2013</b>							
Cost	192,075	907,564	353,796	95,265	4,547	73,559	1,626,806
Accumulated depreciation	-	(232,177)	(241,298)	(57,133)	(2,216)	-	(532,824)
Net book value	192,075	675,387	112,498	38,132	2,331	73,559	1,093,982
<b>Movements in the year ended 30 June 2014</b>							
Opening net book value	192,075	675,387	112,498	38,132	2,331	73,559	1,093,982
Exchange differences	(2,907)	(19,137)	(3,600)	(917)	(44)	(810)	(27,415)
Net additions/transfers	439	29,362	44,367	20,048	298	53,121	147,635
Depreciation charge	-	(24,421)	(37,915)	(9,516)	(403)	-	(72,255)
Closing net book value	189,607	661,191	115,350	47,747	2,182	125,870	1,141,947
<b>At 30 June 2014</b>							
Cost	189,607	913,655	378,384	112,352	4,679	125,870	1,724,547
Accumulated depreciation	-	(252,464)	(263,034)	(64,605)	(2,497)	-	(582,600)
Net book value	189,607	661,191	115,350	47,747	2,182	125,870	1,141,947
<b>Movements in the year ended 30 June 2015</b>							
Opening net book value	189,607	661,191	115,350	47,747	2,182	125,870	1,141,947
Exchange differences	1,318	8,402	1,856	528	19	1,728	13,851
Net additions/transfers	787	33,620	37,348	14,295	806	10,503	97,359
Depreciation charge	-	(27,359)	(40,226)	(10,832)	(492)	-	(78,909)
Closing net book value	191,712	675,854	114,328	51,738	2,515	138,101	1,174,248
<b>At 30 June 2015</b>							
Cost	191,712	956,334	396,035	124,221	5,250	138,101	1,811,653
Accumulated depreciation	-	(280,480)	(281,707)	(72,483)	(2,735)	-	(637,405)
Net book value	191,712	675,854	114,328	51,738	2,515	138,101	1,174,248

Borrowing costs of \$2,092,270 have been capitalised in the current year relating to capital projects (2014: \$765,208) using the Group's weighted average cost of debt of 6.71% (2014: 6.92%).

A memorandum of encumbrance is registered against the title of land for the Auckland casino in favour of Auckland Council. Auckland 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.

**15 INTANGIBLE ASSETS**

	GOODWILL \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	TOTAL \$'000
<b>CONSOLIDATED</b>				
<b>At 30 June 2013</b>				
Cost	148,381	253,293	70,024	471,698
Accumulated amortisation	-	(36,044)	(46,015)	(82,059)
Net book amount	148,381	217,249	24,009	389,639
<b>Movements in the year ended 30 June 2014</b>				
Opening net book amount	148,381	217,249	24,009	389,639
Exchange differences	(11,091)	(21,401)	(370)	(32,862)
Additions	-	181,945	7,440	189,385
Amortisation charge	-	(3,115)	(5,399)	(8,514)
Closing net book amount	137,290	374,678	25,680	537,648
<b>At 30 June 2014</b>				
Cost	137,290	410,219	74,635	622,144
Accumulated amortisation	-	(35,541)	(48,955)	(84,496)
Net book amount	137,290	374,678	25,680	537,648
<b>Movements in the year ended 30 June 2015</b>				
Opening net book amount	137,290	374,678	25,680	537,648
Exchange differences	4,946	17,842	252	23,040
Additions	-	-	5,724	5,724
Amortisation charge	-	(4,402)	(5,981)	(10,383)
Closing net book amount	142,236	388,118	25,675	556,029
<b>At 30 June 2015</b>				
Cost	142,236	429,994	79,054	651,284
Accumulated amortisation	-	(41,876)	(53,379)	(95,255)
Net book amount	142,236	388,118	25,675	556,029



## 15 INTANGIBLE ASSETS (continued)

<b>Casino Licence</b>	<b>Contract Term</b>
SKYCITY Darwin Casino	The casino and associated operations are carried out by SKYCITY Darwin Pty Limited 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 5 year basis so that, subject to certain criteria being met, the licence period is never less than 15 years. The carrying value of the casino licence is A\$31.7m (FY14: A\$31.7m).
Adelaide Casino	<p>The casino and associated operations are carried out by SKYCITY Adelaide Pty Limited under a casino licence (the Approved Licensing Agreement (ALA)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is 30 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 casino licence is amortised over the life of the ALA.</p> <p>Effective 14 February 2014, the ALA and associated agreements were amended to (a) extend Adelaide Casino's exclusivity period for casino gaming in South Australia for a further 20 years until 30 June 2035 (during which period no other casino gaming is permitted, except for interactive gambling); (b) permit the implementation of account based cashless gaming and ticket-in-ticket-out gaming systems; (c) permit an increase in the number of both gaming machines and gaming tables; (d) reflect new taxation rates; and (e) implement various other operational improvements. As part of the agreement with the South Australian Government, SKYCITY Adelaide made a A\$20 million payment in February 2014 to the South Australian Government and agreed to undertake a casino expansion and hotel development project.</p> <p>These reforms are exclusive to the Group and have therefore been recorded at fair value based on the estimated incremental benefit of the reforms over the life of the reforms. The asset is amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period.</p> <p>The carrying value of the casino licence is A\$309.2m (FY14: A\$313.3m).</p>
SKYCITY Auckland Casino	<p>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 section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.</p> <p>Pursuant to the terms of the New Zealand International Convention Centre Project and Licensing Agreement between Her Majesty the Queen in Right of New Zealand and the company dated 5 July 2013, the initial term of the licence will be extended from the current expiry date of 1 February 2021 to 30 June 2048 on and from the date that the company executes a building works contract with a contractor to construct the New Zealand International Convention Centre and there is no condition there under remaining to be satisfied by the company.</p>
SKYCITY Hamilton Casino	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 section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.
SKYCITY Queenstown Casino	Queenstown Casinos Limited holds a Casino Premises Licence for these Queenstown premises. The Casino Premises Licence is for an initial 25 year term from 7 December 2000. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.
SKYCITY Wharf Casino (Queenstown)	Otago Casinos Limited holds a Casino Premises Licence for these Queenstown premises. The Casino Premises Licence is for an initial 25 year term from 11 September 1999. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). The carrying value of the casino licence is \$4.4m (FY14: \$4.4m).

**15 INTANGIBLE ASSETS (continued)**
**(a) Impairment Tests for Intangibles with Indefinite Lives**

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

	OTAGO CASINOS LIMITED* \$'000	SKYCITY HAMILTON* \$'000	SKYCITY DARWIN \$'000	TOTAL \$'000
<b>2015</b>				
Goodwill	-	35,786	106,450	142,236
Casino Licence	4,391	-	35,710	40,101
	<b>4,391</b>	<b>35,786</b>	<b>142,160</b>	<b>182,337</b>
<b>2014</b>				
Goodwill	-	35,786	101,504	137,290
Casino Licence	4,391	-	34,051	38,442
	<b>4,391</b>	<b>35,786</b>	<b>135,555</b>	<b>175,732</b>

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 ten year period. There is a surplus between the calculated value-in-use and the carrying value for each asset.

\* SKYCITY Hamilton and Otago Casino Limited are included within the "Rest of New Zealand" segment in note 3.

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

	EBITDA MARGIN		GROWTH RATE		DISCOUNT RATE	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
SKYCITY Hamilton	39.3	35.5	2.0	2.0	9.5	10.0
SKYCITY Darwin	28.3	27.3	3.0	3.0	9.5	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 that a reasonably possible change in key assumptions would reduce recoverable amount below carrying amount.

## 16 PAYABLES

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Trade payables	20,125	21,965
Deferred income	2,174	2,600
Accrued expenses	59,869	53,415
Employee benefits	47,917	41,520
	130,085	119,500

The fair value of payables and accruals approximates the carrying amount as they are of a short term nature.

## 17 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>Current</b>		
United States Private Placement (USPP)	-	81,724
Total current interest bearing borrowings	-	81,724

Refer note 18 for details concerning the US Private Debt.

## 18 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>Unsecured</b>		
United States Private Placement (USPP)	317,228	251,300
Syndicated bank facility	383,808	249,673
Deferred funding expenses	(1,944)	(2,038)
Total non-current interest bearing liabilities	699,092	498,935

**(a) United States Private Placement (USPP)**

As at 30 June 2015, SKYCITY had US\$202.0 million and NZ\$21.1 million of USPP notes outstanding:

- US\$27.0 million maturing 15 March 2017
- US\$75.0 million maturing 15 March 2018
- NZ\$21.1 million maturing 15 March 2020
- US\$100.0 million maturing 15 March 2021

**18 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES (continued)**

During the year US\$47.0 million and NZ\$28.2 million matured. Other than these two repayments, movements in the outstanding balance relate to foreign exchange rate movements.

The US dollar USPP notes have been hedged to NZ dollars or Australian dollars by way of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar. The offsetting changes in the value of the cross currency interest rate swaps are included within derivative financial instruments in note 13.

**(b) Syndicated Bank Facility**

As at 30 June 2015, SKYCITY had in place revolving credit facilities of:

- A\$250.0 million maturing 30 June 2019
- NZ\$200.0 million maturing 30 June 2020
- NZ\$120.0 million maturing 15 March 2021

The syndicated banking facility is comprised of ANZ (New Zealand and Australia), Commonwealth Bank of Australia, Bank of New Zealand Limited, National Australia Bank and Westpac (New Zealand and Australia).

**(c) Fair values**

Fair value of USPP debt is estimated at NZ\$359 million (2014: NZ\$412 million) compared to a carrying value of NZ\$317 million (2014: NZ\$333 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.

Fair value is calculated using inputs other than quoted prices that are observable for the liability, either directly (that is, as prices) or indirectly (that is, derived from prices) - this is a level 2 valuation.

**19 SUBORDINATED DEBT - CAPITAL NOTES**

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Balance at the end of the year	-	76,451
Deferred expense	-	10
Net capital notes at the end of the year	-	76,441

All capital notes were redeemed during the year.



## 20 DEFERRED TAX LIABILITIES

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Prepayments and receivables	254	211
Provision and accruals	(18,358)	(11,560)
Depreciation	102,813	102,679
Foreign exchange differences	734	(10,726)
Tax losses	(1)	(937)
Other	(535)	(500)
Cash flow hedges	(4,294)	(3,452)
<b>Net deferred tax liabilities</b>	<b>80,613</b>	<b>75,715</b>
<b>Movements:</b>		
Balance at the beginning of the year	75,715	87,603
Charged/(credited) to the Income Statement (note 8)	6,138	(9,938)
Debited to equity reserves (note 23)	(768)	(1,276)
Foreign exchange differences	(472)	(674)
<b>Closing balance at 30 June</b>	<b>80,613</b>	<b>75,715</b>
Within 12 months	(25,360)	(24,772)
In excess of 12 months	105,973	100,487
	<b>80,613</b>	<b>75,715</b>

## 21 IMPUTATION CREDITS (NEW ZEALAND)

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
<b>Balances available for use in subsequent reporting periods</b>		
Imputation credit account	14,966	13,523
Franking credit account	3,915	8,054

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2015.

## 22 SHARE CAPITAL

	2015 SHARES	2014 SHARES	2015 \$'000	2014 \$'000
Opening balance of ordinary shares issued	582,088,094	576,958,340	737,546	729,395
Share rights issued for employee services	-	-	1,245	1,238
Employee share entitlements issued	76,617	746,714	-	-
Treasury shares issued	(76,617)	(746,714)	-	-
Net issue/(purchase) of treasury shares	-	-	755	(13,213)
Shares issued under dividend reinvestment plan	5,384,647	5,129,754	19,254	20,126
	<b>587,472,741</b>	<b>582,088,094</b>	<b>758,800</b>	<b>737,546</b>

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

Included within the number of shares is 6,699,707 treasury shares (2014: 6,776,574) 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 executive long term incentive plan (refer note 26). 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	
	2015 \$'000	2014 \$'000
<b>(a) Reserves</b>		
Hedging reserve - cash flow hedges	(10,803)	(8,766)
Foreign currency translation reserve	(28,091)	(39,810)
	<b>(38,894)</b>	<b>(48,576)</b>
<i>Hedging reserve - cash flow hedges</i>		
Balance at the beginning of the year	(8,766)	(5,595)
Revaluation	57,467	(40,294)
Transfer to net profit - finance costs (net)	(60,272)	35,748
Deferred tax	768	1,375
Balance 30 June	<b>(10,803)</b>	<b>(8,766)</b>
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	(39,810)	(12,708)
Exchange difference on translation of overseas subsidiaries	11,719	(27,102)
Balance 30 June	<b>(28,091)</b>	<b>(39,810)</b>

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

### (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. Cashflows are in line with the maturity of the hedged items, refer to note 25.

### (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.

### (b) Retained Profits

Movements in retained profits were as follows:

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Balance 1 July	84,915	101,799
Net profit for the year	128,744	98,537
Dividends	(116,643)	(115,421)
Balance 30 June	97,016	84,915

## 24 DIVIDENDS

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Prior year final dividend	58,042	57,461
Current year interim dividend	58,601	57,960
Total dividends provided for or paid	116,643	115,421
Prior year final dividend (per share)	10.00¢	10.00¢
Current year interim dividend (per share)	10.00¢	10.00¢

On 11 August 2015, the directors resolved to declare a final dividend of 10 cents per share in respect of the year ended 30 June 2015 (refer to note 32 for further details).

## 25 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. The 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 (ie Australian dollar funding is used to partially hedge the net investment in Australian operations) with forward foreign exchange contracts used to manage any significant residual risk to the Income Statement.

The Group's exposure to the US dollar (refer to US dollar US Private Placement debt detailed in note 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.

#### (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.

	WEIGHTED AVERAGE %	1 YEAR OR LESS \$'000	PRINCIPAL - INTEREST RATE REPRICING					TOTAL \$'000
			1-2 YEARS \$'000	2-3 YEARS \$'000	3-4 YEARS \$'000	4-5 YEARS \$'000	OVER 5 YEARS \$'000	
<b>2015</b>								
Cash and deposits	3.25	12,302	-	-	-	-	-	12,302
Bank facility	4.40	(383,808)	-	-	-	-	-	(383,808)
US Private Placement	5.31	(21,127)	(39,578)	(109,938)	-	-	(146,585)	(317,228)
IRS/CCIRS*		84,393	1,578	58,450	(11,254)	(40,000)	(93,167)	-
		(308,240)	(38,000)	(51,488)	(11,254)	(40,000)	(239,752)	(688,734)
Weighted average debt interest rate**	6.06%							



## 25 FINANCIAL RISK MANAGEMENT (continued)

	WEIGHTED AVERAGE %	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			
<b>2014</b>									
Cash and deposits	3.25	12,056	-	-	-	-	-	12,056	
Bank facility	5.00	(249,673)	-	-	-	-	-	(249,673)	
US Private Placement	4.96	(102,851)	-	(30,766)	(85,460)	-	(113,947)	(333,024)	
Capital notes (NZ)	7.25	(76,450)	-	-	-	-	-	(76,450)	
IRS/CCIRS*		260,143	(31,462)	(7,234)	(50,197)	(90,731)	(80,519)	-	
		(156,775)	(31,462)	(38,000)	(135,657)	(90,731)	(194,466)	(647,091)	
Weighted average debt interest rate**	6.75%								

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

\*\* As at 30 June, including the impact of interest rate hedging.

**(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.

CONSOLIDATED	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
<b>30 JUNE 2015</b>								
NZD/AUD movements	-	-	-	-	114	15,388	(126)	(13,922)
NZ interest rate movement	1,069	(7,227)	(1,069)	6,896	-	-	-	-
Australian interest rate movement	794	(5,930)	(794)	5,650	-	-	-	-

CONSOLIDATED	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
<b>30 JUNE 2014</b>								
NZD/AUD movements	-	-	-	-	(305)	8,624	338	(7,803)
NZ interest rate movement	1,799	(5,759)	(1,799)	5,465	-	-	-	-
Australian interest rate movement	286	(6,728)	(286)	6,368	-	-	-	-

**25 FINANCIAL RISK MANAGEMENT (continued)**
**(b) Credit Risk**

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

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

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

International players are managed in accordance with accepted industry practice. 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\$320 million and A\$250 million (2014: NZ\$285 million and A\$200 million) were drawn down by NZ\$206 million and A\$158 million as at 30 June 2015 (2014: NZ\$137 million, A\$30 million and term loan of A\$75 million).

CONSOLIDATED - AT 30 JUNE 2015	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
Bank facility	-	-	-	-	481,341	120,000	601,341
US Private Placement	-	-	39,578	109,938	21,127	146,585	317,228
Total debt facilities	-	-	39,578	109,938	502,468	266,585	918,569
Payables	79,317	-	-	-	-	-	79,317
Total drawn debt	-	-	39,578	109,938	404,935	146,585	701,036
Future contracted interest on drawn debt	11,948	8,600	16,536	13,302	18,449	5,947	74,782
Future contracted interest on CCIRS/IRS	3,167	2,933	5,560	4,213	7,291	1,665	24,829

## 25 FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED - AT 30 JUNE 2014	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
Bank facility	-	-	-	-	414,615	165,481	580,096
Capital notes	-	76,450	-	-	-	-	76,450
US Private Placement	-	81,724	-	30,766	85,460	135,074	333,024
<b>Total debt facilities</b>	<b>-</b>	<b>158,174</b>	<b>-</b>	<b>30,766</b>	<b>500,075</b>	<b>300,555</b>	<b>989,570</b>
Payables	75,380	-	-	-	-	-	75,380
Total drawn debt	-	158,174	-	30,766	254,652	215,555	659,147
Future contracted interest on drawn debt	14,333	11,278	17,770	17,254	26,417	14,827	101,879
Future contracted interest on CCIRS/IRS	5,934	5,134	8,476	7,849	12,856	10,806	51,055

On 20 March 2015, SKYCITY restructured its banking facilities. The restructure included an extension of the maturity dates (refer note 18).

During the year, the capital notes (15 May 2015) and US\$47.0 million and NZ\$21.1 million of USPP notes (15 March 2015) matured and were repaid.

### (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).

CONSOLIDATED - AT 30 JUNE 2015	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL BALANCE \$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Forward foreign currency contracts	-	32	-	32
Derivatives used for hedging	-	70,998	-	70,998
<b>Total assets</b>	<b>-</b>	<b>71,030</b>	<b>-</b>	<b>71,030</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Forward foreign currency contracts	-	327	-	327
Derivatives used for hedging	-	33,861	-	33,861
<b>Total liabilities</b>	<b>-</b>	<b>34,188</b>	<b>-</b>	<b>34,188</b>

**25 FINANCIAL RISK MANAGEMENT (continued)**

CONSOLIDATED - AT 30 JUNE 2014	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL BALANCE \$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Forward foreign currency contracts	-	769	-	769
Derivatives used for hedging	-	15,889	-	15,889
<b>Total assets</b>	-	16,658	-	16,658
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Forward foreign currency contracts	-	415	-	415
Derivatives used for hedging	-	39,171	-	39,171
<b>Total liabilities</b>	-	39,586	-	39,586

Further details on derivatives are provided in note 13.

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 and cross currency 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.

**(e) Financial instruments by category**

CONSOLIDATED - AT 30 JUNE 2015	LOANS AND RECEIVABLES \$'000	ASSETS / (LIABILITIES) AT FAIR VALUE THROUGH THE INCOME STATEMENT \$'000	DERIVATIVES USED FOR HEDGING \$'000	LIABILITIES AT AMORTISED COST \$'000
Cash and bank balances	53,232	-	-	-
Trade receivables	10,226	-	-	-
Sundry receivables	3,294	-	-	-
Derivative financial instruments - assets	-	32	70,998	-
Derivative financial instruments - liabilities	-	(327)	(33,861)	-
Interest bearing liabilities	-	-	-	(699,092)
Payables	-	-	-	(79,994)
<b>Total</b>	<b>66,752</b>	<b>(295)</b>	<b>37,137</b>	<b>(779,086)</b>

## 25 FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED - AT 30 JUNE 2014	LOANS AND RECEIVABLES \$'000	ASSETS / (LIABILITIES) AT FAIR VALUE THROUGH THE INCOME STATEMENT \$'000	DERIVATIVES USED FOR HEDGING \$'000	LIABILITIES AT AMORTISED COST \$'000
Cash and bank balances	54,052	-	-	-
Trade receivables	6,216	-	-	-
Sundry receivables	9,713	-	-	-
Derivative financial instruments - assets	-	769	15,889	-
Derivative financial instruments - liabilities	-	(415)	(39,171)	-
Interest bearing liabilities	-	-	-	(498,935)
Capital notes	-	-	-	(76,441)
Payables	-	-	-	(75,380)
<b>Total</b>	<b>69,981</b>	<b>354</b>	<b>(23,282)</b>	<b>(650,756)</b>

**(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 (debt at hedged exchange rates less cash at bank) 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:

	2015	2014
Gearing ratio	2.1 x	2.3 x
Interest coverage	7.8 x	6.4 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing as at 30 June 2015 was within covenant limits on funding facilities.

The Group does not have any externally-imposed capital requirements.



## 26 SHARE BASED PAYMENTS

### Chief Executive Officer and Executive Long Term Incentive Plan 2009

Under this 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 2015, the interest free loan on the CEO Long Term Incentive Plan is \$4,709,538 (2014: \$8,319,048) and on the Executive Long Term Incentive Plan total \$11,051,650 (2014: \$10,183,719).

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

GRANT DATE	EXPIRY DATE	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	WITHIN TESTING WINDOW NUMBER
<b>CONSOLIDATED 2015</b>							
31/08/10	31/08/14	319,903	-	(76,866)	(243,037)	-	-
02/03/11	02/03/15	1,144,291	-	-	(1,144,291)	-	-
31/08/11	31/08/15	670,200	-	-	(125,000)	545,200	545,200
29/08/12	29/08/16	764,800	-	-	(97,500)	667,300	-
28/08/13	28/08/17	2,566,758	-	-	(168,750)	2,398,008	-
27/08/14	27/08/18	-	880,000	-	-	880,000	-
Total		5,465,952	880,000	(76,866)	(1,778,578)	4,490,508	545,200
<b>CONSOLIDATED 2014</b>							
02/09/09	02/09/13	408,263	-	-	(408,263)	-	-
31/08/10	31/08/14	1,082,195	-	(746,714)	(15,578)	319,903	319,903
02/03/11	02/03/15	1,394,291	-	-	(250,000)	1,144,291	1,144,291
31/08/11	31/08/15	705,200	-	-	(35,000)	670,200	-
29/08/12	29/08/16	999,800	-	-	(235,000)	764,800	-
28/08/13	28/08/17	-	2,851,758	-	(285,000)	2,566,758	-
Total		4,589,749	2,851,758	(746,714)	(1,228,841)	5,465,952	1,464,194

The weighted average remaining contractual life of options and rights outstanding at the end of the period was 1.97 years (2014: 2.08 years).

### Fair Value of Share Rights Granted

The assessed fair value at grant date of the rights granted on 27 August 2014 is \$1.00 (28 August 2013 is \$1.14), this has been calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

## 26 SHARE BASED PAYMENTS (continued)

The valuation inputs for the rights granted on 27 August 2014 included:

- rights are granted for no consideration
- exercise price: nil (2014: nil)
- grant date: 27 August 2014 (2014: 28 August 2013)
- expiry date: 27 August 2018 (2014: 28 August 2017)
- share price at valuation date \$3.75 (2014: \$3.93)

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	
	2015 \$'000	2014 \$'000
Rights issued under Share Rights Plans	1,245	1,238
	1,245	1,238

## 27 RELATED PARTY TRANSACTIONS

There are no bad or doubtful debts associated with any related party of the Group (2014: nil).

### (a) Key Management and Personnel Compensation

Key management compensation is set out below. The key management personnel are all the directors of the company, the Chief Executive Officer and the key direct reports to the Chief Executive Officer. Following a review of key management it was determined that this should only include directors, the CEO and key executives with a group-wide role. In the prior year key management included all of the CEOs direct reports.

	SHORT-TERM BENEFITS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2015	8,928	792	9,720
2014	10,685	1,291	11,976

### (b) Other Transactions with Key Management Personnel or Entities Related to them

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

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 arm's length commercial basis.

### (c) Subsidiaries

Interests in subsidiaries are set out in note 28.

## 28 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	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2015 %	2014 %
New Zealand International Convention Centre Limited	New Zealand	Ordinary	100	100
Otago Casinos Limited	New Zealand	Ordinary	100	100
Queenstown Casinos Limited	New Zealand	Ordinary	100	100
Sky Tower Limited	New Zealand	Ordinary	100	100
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
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 Darwin Pty Limited	Australia	Ordinary	100	100
SKYCITY Treasury Australia Pty Limited	Australia	Ordinary	100	100
SKYCITY Investment Holdings Limited	Hong Kong	Ordinary	100	100

## 29 CONTINGENCIES

There are no significant contingencies at year end (2014: nil).

## 30 COMMITMENTS

### Capital Commitments

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

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Property, plant and equipment	10,477	17,084

### Operating Lease Commitments

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

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

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Within one year	7,472	5,561
Later than one year but not later than five years	18,023	15,813
Later than five years	309,902	293,627
Commitments not recognised in the financial statements	335,397	315,001

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.

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

	CONSOLIDATED	
	2015 \$'000	2014 \$'000
Profit for the year	128,744	98,537
Depreciation and amortisation	89,292	80,769
Finance costs net	43,927	48,049
Net (gain) on sale of associate	-	(934)
Current period employee share expense	1,245	1,238
Gain on sale of fixed assets	(1,348)	(995)
Change in operating assets and liabilities		
Decrease in receivables and prepayments	2,156	1,081
Increase in inventories	(491)	(455)
Increase in payables	10,585	14,102
Increase/(decrease) in deferred tax liability	4,898	(11,888)
Decrease in tax receivable	8,335	510
Increase in provisions	3,739	-
Capital items included in working capital movements	(407)	759
Net cash inflow from operating activities	290,675	230,773

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

On 11 August 2015, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2015. The 25% imputed, unfranked dividend of 10 cents per share will be paid on 2 October 2015 to all shareholders on the company's register at the close of business on 18 September 2015.



	2015				2014			
	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M
<b>Normalised</b>	<b>1,007.7</b>	<b>304.9</b>	<b>216.4</b>	<b>134.1</b>	<b>927.3</b>	<b>287.6</b>	<b>208.0</b>	<b>123.2</b>
International Business at Theoretical	1.3	3.5	3.5	2.3	(24.8)	(21.7)	(21.7)	(15.4)
Provision for International Business Debtors	-	-	-	-	-	(0.2)	(0.2)	(0.2)
<b>International Business Adjustments</b>	<b>1.3</b>	<b>3.5</b>	<b>3.5</b>	<b>2.3</b>	<b>(24.8)</b>	<b>(21.9)</b>	<b>(21.9)</b>	<b>(15.6)</b>
Adelaide redevelopment costs	-	(1.7)	(1.7)	(1.2)	-	(4.3)	(4.3)	(3.0)
NZICC interest and other costs	-	(0.6)	(0.6)	(4.6)	-	(0.3)	(0.3)	(2.8)
Strategic projects	-	-	-	-	-	(1.4)	(1.4)	(1.0)
Darwin pre-opening costs	-	(0.1)	(0.1)	(0.1)	-	-	-	-
Restructuring costs	-	(1.6)	(1.6)	(1.1)	-	(2.3)	(2.3)	(1.7)
Auckland project costs	-	(0.3)	(1.1)	(0.7)	-	(0.9)	(2.1)	(1.5)
Profit from sale of Christchurch	-	-	-	-	-	-	-	0.9
<b>Total Other Adjustments</b>		<b>(4.3)</b>	<b>(5.1)</b>	<b>(7.7)</b>	<b>-</b>	<b>(9.2)</b>	<b>(10.4)</b>	<b>(9.1)</b>
<b>Reported</b>	<b>1,009.1</b>	<b>304.1</b>	<b>214.8</b>	<b>128.7</b>	<b>902.5</b>	<b>256.5</b>	<b>175.7</b>	<b>98.5</b>

SKYCITY's objective of producing normalised financial information is to provide data that is useful to the investment community in understanding the underlying operations of the Group.

Gaming revenue figures reflect gaming win (inclusive of gaming GST). This facilitates Australasian comparisons and is consistent with the treatment adopted by major Australian casinos. Non-gaming revenues are net of GST. Total revenues are gaming win plus non-gaming revenues.

Key Adjustments are:

- Adelaide redevelopment costs - Structural redundancies and launch costs for new facilities (Sean's Kitchen and Madame Hanoi)
- NZICC - Interest on purchase of New Zealand International Convention Centre (NZICC) land bank (calculated using the Group's average cost of debt of 6.7% on an average balance of \$85m) and other costs specific to this project
- Strategic project costs - none in FY15, with FY14 including the acquisition of SKYCITY Wharf Casino, the investigation of investment opportunities in Brisbane, the Gold Coast and the Philippines, and other miscellaneous items
- Darwin pre-opening costs - ACES Sports Bar
- Restructuring costs - Costs associated with changing the staffing structures under an approved restructuring plan
- Auckland project costs - Federal Street launch and Federal Street fire costs

International Business actual win rate at 1.36% for FY15 (FY14: 0.97%)

Normalisation adjustments have been calculated in a consistent manner in FY15 and FY14.

# CORPORATE GOVERNANCE STATEMENT AND OTHER DISCLOSURES

FOR THE YEAR ENDED 30 JUNE 2015





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 eleven governance parameters as the cornerstone principles of its corporate governance charter as set out in the company's Board Charter (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)). As a New Zealand company listed on the Australian and New Zealand stock exchanges, these cornerstone principles, detailed 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 (Third Edition) of the ASX Corporate Governance Council, and the New Zealand Financial Markets Authority's Corporate Governance Principles and Guidelines.

For the purposes of ASX Listing Rule 4.10.3:

- this corporate governance statement is current as at 25 September 2015 and has been approved by the board of SKYCITY; and
- SKYCITY has followed the recommendations set by the ASX Corporate Governance Council, and the corporate governance principles set out in the NZX's Corporate Governance Best Practice Code, during the financial year ended 30 June 2015 except where otherwise outlined in this corporate governance statement.

## 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 Charter details the board's role and responsibilities.

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 laws and

regulations are complied with, and that the company is well managed for the benefit of its shareholders and other stakeholders.

Specific responsibilities of the board include:

- oversight of the company, including its control and accountability procedures and systems;
- appointment, performance, and removal of the Chief Executive Officer;
- confirmation of the appointment and removal of the senior executive group (being the direct reports to the Chief Executive Officer);
- setting the remuneration of the Chief Executive Officer and approval of the remuneration of the senior executive group;
- approval of the corporate strategy and objectives and oversight of the adequacy of the company's resources required to achieve the strategic objectives;
- approval of, and monitoring of actual results against, the annual business plan and budget (including the capital expenditure plan);
- review and ratification of the company's systems of risk management and internal compliance and control, codes of conduct and legal compliance; and
- approval and monitoring of the progress of capital expenditures, capital management initiatives, acquisitions and divestments.

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 board maintains a formal set of delegated authorities that details the extent to which employees can commit the company. These delegated authorities are approved by the board and are subject to annual review by the board.

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

Each director and senior executive has a written agreement with the company setting out their terms of appointment and responsibilities.

## 2. STRUCTURE THE BOARD TO ADD VALUE

Board effectiveness requires the efficient discharge of the duties imposed on the directors by law and the 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 and Skills Matrix

As at 30 June 2015, the board comprised seven non-executive directors and a managing director. Biographical details of individual directors are set out on pages 22 and 23 of this annual report.

As previously announced to the market, Peter Cullinane will be retiring from the board at the company's upcoming 2015 Annual Meeting.

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. The areas of expertise and experience determined by the board as being the key competencies required to meet these objectives include:

- governance and strategy;
- infrastructure experience;
- gaming industry experience and understanding;
- understanding of Asia and Asian consumers;
- local market knowledge of Auckland;
- local market knowledge of Adelaide;
- local market knowledge of Darwin;
- government relations;
- public relations and communications;
- investment banking;
- property and real estate acumen;
- hospitality industry experience and understanding;
- legal;
- finance and accounting;
- mathematical fluency;
- human resources;
- occupational health and safety; and
- marketing.

As at the date of this annual report, the board comprises individuals with expertise and experience in the specific areas listed above other than legal. Details of individual expertise and experience of the directors are set out on pages 22 and 23 of this annual report.

### Appointment

The board has established the Governance and Nominations Committee to:

- identify and recommend to the board suitable persons for nomination as members of the board and its committees (taking into account such factors as experience, qualifications, judgement, and the ability to work with other directors);
- annually review the overall composition and structure of the board and its committee memberships and, if appropriate, the removal of a director from the board and/or its committees;
- monitor the succession and rotation of board and committee members;
- monitor the outside directorships and other business interests of directors with a view to ensuring independence/no conflicts of interest, and director capability and time availability to effectively undertake the requirements of their SKYCITY board and committee positions;
- monitor related parties, conflicts of interest, and independence issues;
- ensure that potential candidates understand the role of the board and the time commitment involved when acting as a member of the board;
- oversee the evaluation of the board; and
- review the board's succession planning.

External consultants are engaged to access a wide base of potential candidates and to review the suitability of candidates for appointment.

The procedures for the appointment and removal of directors are prescribed in the company's constitution, which, amongst other things, requires all potential directors to have satisfied the extensive probity requirements of each jurisdiction in which the company holds gaming licences.

Subject to satisfaction of the probity requirements, the board may appoint directors to fill casual vacancies that occur or to add persons to the board up to the maximum number (currently 10) prescribed by the constitution. If the board appoints a new director during the year, that person will stand for election by shareholders at the next annual meeting. Shareholders are provided with relevant information on any candidate standing for election in the company's notice of meeting.

Directors are appointed under the company's Terms of Appointment and Reference for Directors and Board Charter (both available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) for a term of three years and subject to re-election by shareholders in accordance with the rotation requirements of NZX and ASX and as prescribed in the company's constitution.



### Director Independence

The Board Charter and the company's constitution require 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. The Board Charter requires the board chairperson and (where appointed) deputy chairperson to be independent directors and prohibits the company's Chief Executive Officer from filling either of these roles.

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's Corporate Governance Best Practice Code and has taken into account the independence guidelines as recommended in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Independence Guidelines).

At its June 2015 meeting, the board reviewed the status of each director in accordance with the independence specification of the NZX's Corporate Governance Best Practice Code and taking into account the ASX Independence Guidelines and determined that all current non-executive directors were independent at the balance date. The managing director, Nigel Morrison, was not independent at the balance date by virtue of the fact that he was also the Chief Executive Officer of the company.

### 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 board and committee meeting and have unrestricted access to any other information they require. Senior management is also 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 member of senior management 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 - the Audit and Financial Risk Committee, Governance and Nominations Committee, Remuneration and Human Resources Committee and Corporate Social Responsibility Committee.

The members of each of the committees are non-executive directors and the non-executive directors of the board appoint the chairperson of each committee.

The current members and chairperson of each committee, and their respective qualifications and experience, are set out on pages 22 and 23 of this annual report and in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com).

Each committee operates under a formal charter document as agreed by the board. Each charter sets out the role and responsibilities of the relevant committee and is available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com). 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 financial year ended 30 June 2015. Eight board meetings were scheduled during the year.

	APPOINTMENT TO OFFICE	BOARD SCHEDULED	BOARD UNSCHEDULED	BOARD TOTAL	AUDIT AND REMUNERATION FINANCIAL RISK	AND HUMAN RESOURCES	GOVERNANCE AND NOMINATIONS	CORPORATE SOCIAL RESPONSIBILITY
NUMBER OF MEETINGS HELD		8	1	9	4	4	1	3
Chris Moller	18 December 2008	8	1	9	4	4	1	3
Bruce Carter	12 October 2010	8	1	9	4	-	1	-
Rod McGeoch <sup>(1)</sup>	20 September 2002	2	-	2	2	-	-	-
Brent Harman	18 December 2008	7	1	8	-	3	1	-
Peter Cullinane	26 March 2008	8	1	9	-	-	1	3
Sue Suckling	9 May 2011	8	-	8	-	4	1	-
Richard Didsbury	20 July 2012	8	1	9	-	-	1	3
Richard Tsiang	17 December 2014	5	1	6	2	-	1 <sup>(2)</sup>	-
Nigel Morrison	18 December 2008	7	1	8	-	-	-	-

<sup>(1)</sup> Rod McGeoch retired as a director effective from 16 October 2014.

<sup>(2)</sup> Richard Tsiang attended the Governance and Nominations Committee meeting in his capacity as a consultant prior to his appointment as a director on 17 December 2014.

### 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 Corporate Social Responsibility 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 (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)), 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 (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) for directors and employees that sets out guidelines in respect of trading in, or giving recommendations concerning, the company's securities, including derivatives of such listed securities. Prior consent must be obtained from the Company Secretary (or any other authorised person) before directors and certain employees who may have access to material information undertake any trading in the company's securities, grant security over SKYCITY securities, enter into any margin loan or similar instrument in respect of such securities or enter into any hedging arrangements which reduce the risk elements essential to effective employee incentive schemes.

Details of any securities trading by directors or executives who are subject to the company's Securities Trading Policy are notified to the board. In addition, directors and officers of the company must comply with the disclosure obligations under subpart 6 of the New Zealand Financial Markets Conduct Act 2013 and the NZX and ASX Listing Rules and formally disclose their SKYCITY shareholdings and other securities holdings to the NZX and ASX (as applicable) within prescribed timeframes.

Directors and employees are not permitted to participate in any gaming or wagering activity at SKYCITY operated properties.

SKYCITY is proud to have a diverse workforce and believes it offers an opportunity to enhance the company's competitive

advantage and provide long term sustainable business success. The company is committed to an inclusive workplace that enhances and promotes workplace diversity across the business.

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 company has a Diversity and Inclusion Policy (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) that provides a framework for SKYCITY's current and future diversity and inclusion initiatives. The company is committed to providing opportunities and initiatives that assist all to reach their potential on merit, unhindered by individual differences, and regularly benchmarks and reports on its diversity position, policy and objectives.

SKYCITY has several objectives to advance diversity and inclusion in the workplace. These include:

- continuing to build a workforce that reflects the diversity of the markets in which the company operates;
- continuing to strive to ensure strong female candidates are identified in the recruitment process for all board and senior executive roles;
- implementing an annual audit of gender pay parity as a core function of the company's annual remuneration review cycle; and
- inclusiveness training for all management.

Each year, SKYCITY's board sets measurable objectives to promote diversity, including gender diversity and inclusion. At the end of each financial year, the objectives are reviewed along with the company's progress in achieving them.

SKYCITY performed well against the measurable objectives set by the board for the 2014/2015 financial year (as reported in the company's 2014 annual report):

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#### OBJECTIVE

Continue to strive to ensure strong female candidates are identified in the recruitment process for all board and senior executive roles

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#### PROGRESS MADE

40% of senior management roles recruited for in the past year had a successful female candidate and 55% had at least one female included on the short list of applicants.

The Request For Proposal (RFP) for the board recruitment process explicitly specified that SKYCITY required female candidates to be identified wherever possible.

Several significant female appointments were made, including the General Manager SKYCITY Hamilton, New Zealand International Convention Centre Project Director, Marketing Manager Adelaide Casino and Human Resources Manager SKYCITY Darwin.

Michelle Baillie, General Manager SKYCITY Hamilton, was accepted

into the 2015 BreakThrough Leaders Programme, facilitated by New Zealand Global Women. She is the first SKYCITY employee to be nominated for this programme.

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**OBJECTIVE**

Implement an annual audit of gender pay parity as a core function of SKYCITY's annual remuneration review cycle

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**PROGRESS MADE**

Following significant changes made to the remuneration process to ensure gender fairness during the financial year ended 30 June 2014 (which was recognised as award-winning in the 2015 YWCA Pay Equity Awards), SKYCITY experienced a dramatic improvement in pay equity during the financial year ended 30 June 2015.

Female staff received (on average) a 12% higher salary increase than their male equivalents in the October 2014 salary reviews. These changes occurred following extensive unconscious bias training and improved reporting and remuneration guidance to managers.

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**OBJECTIVE**

Illustrate SKYCITY's commitment to the Rainbow Community by achieving the Rainbow Tick accreditation

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**PROGRESS MADE**

SKYCITY achieved Rainbow Tick Accreditation following an audit process that assessed the company's policies, culture and support/training to ensure the company offers a safe and inclusive workplace for staff and customers from the Rainbow Community.

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**OBJECTIVE**

Roll out inclusiveness training to all management

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**PROGRESS MADE**

SKYCITY rolled out diversity and inclusion training to managers to raise awareness of unconscious bias in the recruitment and selection processes and provide tools to minimise any negative effects. More than 120 of our leaders have now completed this training.

The measurable objectives for the 2015/2016 financial year are to:

- continue to strive to ensure strong female candidates are identified in the recruitment process for all board and senior executive roles;
- conduct a detailed review of staff engagement by diversity group (age, gender, ethnicity and Rainbow) and identify initiatives to further improve staff inclusion; and
- monitor the participation of under-represented groups in our leadership training and talent programmes.

As at 30 June 2015, the gender composition of the company's directors, key management personnel, senior executives, officers and total workforce was as follows:

	FEMALE		MALE		TOTAL
	NUMBER	%	NUMBER	%	
<b>Directors</b>	1	12.5%	7	87.5%	8
<b>Key management personnel</b>	1	20%	4	80%	5
<b>Senior executives</b>	2	17%	10	83%	12
<b>Officers</b>	1	9%	10	91%	11
<b>Total Workforce</b>	2,940	47%	3,312	53%	6,252

Comparatively, the gender composition of the company's directors, key management personnel, senior executives, officers and total workforce as at 30 June 2014 was as follows:

	FEMALE		MALE		TOTAL
	NUMBER	%	NUMBER	%	
<b>Directors</b>	1	12.5%	7	87.5%	8
<b>Key management personnel</b>	1	20%	4	80%	5
<b>Senior executives</b>	2	15%	11	85%	13
<b>Officers</b>	1	8%	12	92%	13
<b>Total Workforce</b>	2,780	47%	3,132	53%	5,912

In the above tables:

- 'directors' includes the Chief Executive Officer, who is also the Managing Director;
- 'key management personnel' are those five group executives (including the Chief Executive Officer) referred to on page 77 of this annual report;
- 'senior executives' includes the Chief Executive Officer's direct reports and site General Managers; and
- 'officers' includes the Chief Executive Officer and his direct reports only.

#### 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 Financial 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 Financial 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 Financial 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 Audit and Financial Risk 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 non-audit services. The Committee has adopted an External Audit Independence Authority Policy that sets out the framework for assessing and maintaining audit independence.

The Committee has formally reviewed the independence status of PricewaterhouseCoopers and is satisfied that its objectivity and independence is not compromised as a consequence of 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 2014/2015 financial year are set out in note 6 to the financial statements. Fees for audit and tax compliance work in the 2014/2015 financial year represent 74% 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 the 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.

SKYCITY believes high standards of reporting and disclosure are essential for proper accountability between SKYCITY and its investors, employees and stakeholders.

The company is committed to promoting investor confidence by providing timely and balanced disclosure of all material matters relating to SKYCITY and its subsidiaries (SKYCITY Group). The company maintains a Market Disclosure Policy (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) for directors and employees that sets out guidelines in respect of the company's continuous disclosure obligations. The Policy is designed to ensure that SKYCITY:

- satisfies the requirements of the New Zealand Financial Markets Conduct Act 2013, the Australian Corporations Act 2001 and the NZX and ASX Listing Rules;
- meets its disclosure obligations in a way that allows all interested parties equal opportunity to access information;
- meets stakeholders expectations for equal, timely, balanced and meaningful disclosure; and
- provides guidance on the processes to ensure compliance.

The company is also 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. The Company Secretary is also accountable directly to the board, through the chairperson of the board, on all matters to do with the proper functioning of the board.

#### 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 (including its corporate governance framework, media releases, current and past annual reports, dividend histories and notices of meeting)

is available to all shareholders in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com);

- posting all stock exchange announcements in the Investor Centre section of the company's website promptly after they have been disclosed to the market;
- webcasting or making available on the Investor Centre section of the company's website audio recordings of important events such as annual meetings and Chief Executive Officer presentations;
- giving shareholders the option to receive communications from, and send communications to, the company and its security registry, Computershare, electronically;
- engaging in a programme of regular interactions with institutional investors, shareholder associations and proxy advisers;
- promoting two-way interaction with shareholders, by 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. Each year, in the company's notice of meeting, shareholders are invited to submit questions to the company prior to the annual meeting to enable the company to aggregate the main themes of the questions asked and respond to them at the annual meeting. 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; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the SKYCITY Group.

**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 Financial 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 Financial Risk Committee and board on the effectiveness of the company's management of its material business risks at least annually, with the most recent report being provided in August 2015.

The Audit and Financial 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 Financial Risk Committee at least annually 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 2015.

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.

SKYCITY's ability to create or preserve value for its shareholders requires the successful execution of its business strategy. Risks influencing its ability to do this, including SKYCITY's material exposure to economic, environmental and social sustainability risks, if any, and how it manages or intends to manage those risks, are set out below:

- **Highly regulated industry**  
SKYCITY operates in industries (in particular, the casino industry) which are highly regulated. The regulatory framework is subject to changes from time to time, which may impact the environment in which SKYCITY operates and the costs of operating its business. Potential examples of such changes include unfavourable changes to gaming legislation and regulations, licence conditions and gaming taxes and levies.

The risk of regulatory change is mitigated by maintaining engagement with the governments of each jurisdiction in which SKYCITY operates and with industry stakeholders through frequent submissions and regular informal engagements. Targeted proactive and reactive compliance initiatives are undertaken as and when required based on the likelihood of the risk occurring and the impact it would have on SKYCITY's business.

- **Renewal or extension of Auckland casino licence**  
SKYCITY's Auckland property contributes a significant portion of SKYCITY's EBITDA. This concentration of earnings means that the performance of SKYCITY is heavily dependent upon the Auckland property. A significant disruption to SKYCITY's Auckland operations (which may arise through the expiry of the Auckland casino licence) could have a significant negative impact on SKYCITY. SKYCITY's Auckland casino licence is currently due to expire on 1 February 2021.

SKYCITY has sought to mitigate this risk by entering into an agreement with the New Zealand Government in relation to the New Zealand International Convention Centre (the NZICC). This agreement (and associated NZICC legislation) provides various regulatory concessions for SKYCITY's Auckland property, including an extension of the Auckland casino licence to 30 June 2048. These concessions are subject to a number of conditions, the key one of which is SKYCITY entering into a binding construction contract for the construction of the NZICC. SKYCITY expects to sign a construction contract by October 2015 and then to commence construction by December 2015.



## 8. PERFORMANCE EVALUATION

The board and committee charters require an evaluation of the board and 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 2014 was conducted by the chairman of the board (Chris Moller) and completed in February 2015. The review involved a formal response/feedback process with a one-on-one meeting involving the chairman and each director individually.

The board undertakes the performance review of the Chief Executive Officer and reviews the outcomes of those reporting directly to that position in accordance with the company's performance review procedures, with the last review conducted in August 2015. In the case of the Chief Executive Officer, the review involved a formal response/feedback process with a one-on-one meeting involving the board chairman. In the case of each senior executive, the review involved a formal response/feedback process with a one-on-one meeting involving the Chief Executive Officer.

## 9. REMUNERATE FAIRLY AND RESPONSIBLY

This section details the approach to remuneration frameworks, outcomes and performance for the company's non-executive directors and its group executives for the financial year ended 30 June 2015 as listed below:

NAME	POSITION	TERM
<b>Non-Executive Directors</b>		
Chris Moller	Chairman	Full Year
Bruce Carter	Deputy Chairman	Full Year
Peter Cullinane	Director	Full Year
Richard Didsbury	Director	Full Year
Brent Harman	Director	Full Year
Sue Suckling	Director	Full Year
Richard Tsiang	Director	Part Year
<b>Former Non-Executive Director</b>		
Rod McGeoch	Director	Part Year
<b>Group Executives</b>		
Nigel Morrison	Managing Director and Chief Executive Officer	Full Year
Rob Hamilton	Chief Financial Officer	Part Year
Peter Treacy	General Counsel and Company Secretary	Full Year
Grainne Troute	General Manager Corporate Services	Full Year
John Mortensen	Chief Operating Officer, New Zealand	Full Year

The key changes to the board and to the senior executive team during the financial year ended 30 June 2015 included:

Rod McGeoch	Retired as a director on 16 October 2014
Richard Tsiang	Appointed as a director on 17 December 2014
Rob Hamilton	Appointed as Chief Financial Officer on 13 October 2014

### Remuneration Governance

The Remuneration and Human Resources Committee is the main governing body for setting remuneration policy across the SKYCITY Group and develops the remuneration framework and policies for board approval.

The responsibilities of the Remuneration and Human Resources Committee are outlined in the Remuneration and Human Resources Committee Charter (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)), which is reviewed annually by the board.

The Remuneration and Human Resources Committee oversees the management of the human resources activities of the company, the senior management structure, senior executive performance, remuneration and incentivisation, and succession planning. It also seeks to assist the board to ensure that the company's remuneration policies and practices reward fairly and responsibly with a clear link to the company's strategic objectives and corporate and individual performance. The Remuneration and Human Resources Committee is also responsible for periodically reviewing non-executive director fees.

The board-approved Remuneration and Human Resources Policy Statement (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) recognises that to achieve its business objectives SKYCITY needs high quality, committed people. 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;
- be performance-oriented so that remuneration practices recognise and reward high levels of performance and to avoid an entitlement culture;
- provide a significant at-risk component of total remuneration which drives performance to achieve company goals and strategy;
- manage remuneration within levels of cost efficiency and affordability; and
- align remuneration for senior executives with the interests of shareholders.

A range of market data and specific benchmark reports are used to ensure market relativity of senior executive positions, including research and reports from independent remuneration consultants. Each year, the Remuneration and Human Resources Committee reviews changes in remuneration laws and practices and market trends to ensure the company's practices are appropriately aligned.

**Changes to Remuneration Policy and Practices**

During the financial year ended 30 June 2015, there were no material changes to the remuneration policy.

**Non-Executive Director Remuneration**

Shareholders at the annual meeting determine the total remuneration available to non-executive directors. At the 2014 Annual Meeting, shareholders approved, effective from 1 July 2014, a total remuneration amount for non-executive directors of \$1,365,000 per annum (plus GST, if any).

The following table outlines the non-executive directors' fees (exclusive of GST, if any) for the board and its committees as at 30 June 2015:

	POSITION	FEES (PER ANNUM)
<b>Board</b>	Chairperson	\$275,000
	Deputy Chairperson	\$157,500
	Non-Executive Director	\$126,000
<b>Audit and Financial Risk Committee</b>	Chairperson	\$35,000
	Member	\$15,000
<b>Remuneration and Human Resources Committee</b>	Chairperson	\$35,000
	Member	\$15,000
<b>Corporate Social Responsibility Committee</b>	Chairperson	\$25,000
	Member	\$15,000

All non-executive directors are members of the Governance and Nominations Committee and receive no additional fees for this Committee.

The board chairman does not receive separate fees for the board committees that he sits on.

For directors who were in office on or before 1 May 2004, SKYCITY's constitution permitted the company to make a retirement payment. Retirement allowances were discontinued at 30 June 2004 with retirement allowances accrued to that date frozen as to amount. As the only director eligible for the retirement allowance, Rod McGeoch was paid a one-off payment of \$22,913.24 when he retired at the 2014 Annual Meeting.

Details of the total remuneration paid to, and other benefits received by, non-executive directors for services in their capacity as directors of the company during the financial year ended 30 June 2015 are set out on page 84 of this annual report.

**Remuneration Framework**

Remuneration components are offered in the context of a total remuneration package, measured on a "total cost to the company" basis. The remuneration arrangements of the company's Chief Executive Officer and group executives are made up of both fixed and variable remuneration, with three elements - fixed remuneration, short term incentive (STI) at-risk remuneration and long term incentive (LTI) at-risk remuneration.

The STI at-risk components are based on performance against key financial and non-financial measures and all STI bonuses are at the ultimate discretion of the board.

The board determines an appropriate level of fixed remuneration for the Chief Executive Officer and group executives taking into account recommendations from the Remuneration and Human Resources Committee.

**Fixed Remuneration**

The company endeavours to set fixed remuneration at levels that are relative to similar positions in the market in which individual executives are positioned. For "casino-specific" positions, account is taken of salaries within the sector.

To assist the Remuneration and Human Resources Committee in its salary deliberations, PricewaterhouseCoopers is commissioned on a regular basis to survey remuneration against external comparator markets as relevant and appropriate (eg industry and geography).

Fixed remuneration is reviewed annually - in the case of the Chief Executive Officer, at an agreed anniversary date on 1 July and, in the case of other group executives, in August each year.

**Short Term Incentive**

The Chief Executive Officer and each group executive receive 70% of their STI based on the company's financial performance. In the case of the Chief Executive Officer and group executives (except John Mortensen), eligibility for this element is based on achievement of the company's budgeted NPAT (normalised net profit after tax) for the financial year ended 30 June 2015. For John Mortensen, eligibility for this element is based on achievement of Auckland's budgeted EBITDA (earnings before interest, taxes, depreciation and amortization) for the financial year ended 30 June 2015.

The remaining 30% of each STI is based on a small number of personal goals that are agreed on an individual basis at the commencement of each financial year. In the case of the Chief Executive Officer, these are aligned to the strategic priorities of the company. The non-financial objectives for each of the group executives are aligned to those set for the Chief Executive Officer but may include specific personal objectives. For each of the Chief Executive Officer and the group executives there is an STI eligibility "gateway" related to meeting or exceeding prior year financial performance.

The Chief Executive Officer has an STI target of 105% of his fixed remuneration. Group executives have an STI target of 40% of their fixed remuneration and have a maximum STI potential of 54% of their fixed remuneration.

The Chief Executive Officer and group executives receive their STI as cash following completion of the external audit of the company's year-end results.

### Long Term Incentives

The company operates two LTI plans - one for the Chief Executive Officer (which is approved by shareholders) and the other for the company's most senior executives. Details of the 2013 SKYCITY Chief Executive Officer LTI Plan are included in the section "Chief Executive Officer Remuneration" below and details of the SKYCITY Senior Executive LTI Plan are included on page 80 of this annual report.

### Chief Executive Officer Remuneration

Nigel Morrison has an employment agreement (a copy of which is available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) as Managing Director and 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.

### Remuneration Mix

The Chief Executive Officer's remuneration package is heavily weighted towards at-risk variable remuneration with the mix for the financial year ended 30 June 2015 being approximately 35% fixed remuneration, 33% STI and 32% LTI.

### Remuneration 2015

**Fixed Salary:** For the financial year ended 30 June 2015, Mr Morrison received a base salary of \$1,905,500.

**STI:** The board awarded Mr Morrison an STI bonus of \$1,763,683 which was paid in August 2015 and will, therefore, appear in the company's financial accounts for the 2016 financial year. \$1,400,543 of this bonus was in consideration of the company's NPAT performance. The balance of Mr Morrison's STI was assessed by reference to his performance against the strategic non-financial objectives agreed with him at the commencement of the 2015 financial year.

Having assessed his performance against each of his non-financial objectives, the board decided to grant Mr Morrison 60.5% of his non-financial STI.

**LTI:** The 2013 SKYCITY Chief Executive Officer Long Term Incentive Plan governs Mr Morrison's current LTI. Under the Plan:

- 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 median 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 is 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.

The last shares acquired under the Plan by Mr Morrison with the assistance of an interest-free loan were on 8 November 2013 (with an effective acquisition date of 28 August 2013) and are currently held on behalf of Mr Morrison by a trustee. Mr Morrison's LTI entitlements and shareholding in the company are detailed on pages 86, 87 and 89 of this annual report.

The 2009 SKYCITY Chief Executive Officer LTI Plan governed Mr Morrison's previous LTI and ended after the third re-test in March 2015 of the LTI shares issued to him in March 2011. None of the March 2011 LTI shares vested to Mr Morrison.

### Other

Mr Morrison also receives the benefit of a health insurance plan that SKYCITY offers to all of its employees and directors (either at no cost or at a discounted rate). During the financial year ended 30 June 2015, SKYCITY paid premiums totalling \$1,483 to SKYCITY's health insurance provider in connection with Mr Morrison.

### 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 Remuneration and Human Resources Committee approves remuneration increases for the senior executive group.

**Senior Executive STI**

For the financial year ended 30 June 2015, a total of \$2,081,883 was paid under the Senior Executive STI Plan to 10 senior executives (including the group executives outlined above) - an amount equivalent to 43% of combined base salary for this group.

**Senior Executive LTI**

Under the SKYCITY Senior Executive LTI Plan introduced in 2009, which is similar to the 2013 SKYCITY Chief Executive Officer LTI Plan, selected senior executives are 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 those senior executives 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 LTI shares issued before and including 2013, to vest in a participant under the SKYCITY Senior Executive LTI Plan, 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 median 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.

For LTI shares issued in 2014 and thereafter, 50% of the shares are allocated to a peer comparator group tranche and 50% of the shares are allocated to an index comparator group tranche. The number of shares that will vest depend on where the SKYCITY TSR is relative to the median TSR of each of the peer comparator group and index comparator group separately and the TSRs representing the 75th percentiles of the TSRs achieved by the each of the peer comparator group and the index group separately. Each tranche will be tested separately. If SKYCITY's TSR is at the median TSR of a group, 50% of a tranche will vest. If SKYCITY's TSR is at the 75th percentile of a group, 100% of a tranche will vest.

Performance is 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.

Details of the shares issued under the SKYCITY Senior Executive LTI Plan and outstanding as at 14 August 2015 are detailed on page 89 of this annual report.

During the financial year ended 30 June 2015, the following vesting calculations were completed:

- August 2010 LTI: The third and final test was completed with a further 7.75% of shares vesting to executives. The remaining 23.25% of unvested shares were forfeited in accordance with the terms of the SKYCITY Senior Executive LTI Plan.
- March 2011 LTI: The second and third (and final) tests were completed. No shares vested to executives and 100% were forfeited in accordance with the terms of the SKYCITY Senior Executive LTI Plan.
- August 2011 LTI: The first and second tests were completed. To date, no shares have vested to executives. The third (and final) test will be completed during September 2015 and any shares that do not vest at that time will be forfeited in accordance with the terms of the SKYCITY Senior Executive LTI Plan.

**Salaried Employee STI and Individual Bonus Plan**

To drive outstanding company and individual performance, SKYCITY operates an STI plan for selected senior salaried employees and those with operational accountability for a department or business unit (Salaried STI Plan). 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 financial year ended 30 June 2015, 321 salaried staff participated in the Salaried STI Plan. Based on achievement of individual and financial targets, 277 staff received an average STI payment of 15.2% 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 Plan. Under the Individual Bonus 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, 480 SKYCITY salaried personnel were paid incentives totalling \$6,654,676 under the Salaried STI Plan and Individual Bonus Plan.

#### **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 (available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) 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.

**TWENTY LARGEST SHAREHOLDERS AS AT 14 AUGUST 2015**

	NUMBER OF SHARES	% OF SHARES
1. HSBC Nominees (New Zealand) Limited	50,780,311	8.64%
2. National Nominees Limited	46,659,225	7.94%
3. HSBC Nominees (New Zealand) Limited A/C State Street	39,900,600	6.79%
4. JP Morgan Nominees Australia Limited	39,421,215	6.71%
5. JP Morgan Chase Bank NA NZ Branch	36,075,155	6.14%
6. Citibank Nominees (New Zealand) Limited	32,197,579	5.48%
7. National Nominees New Zealand Limited	28,360,130	4.83%
8. HSBC Custody Nominees (Australia) Limited	27,812,334	4.73%
9. RBC Investor Services Australia Nominees Pty Limited	18,406,503	3.13%
10. Accident Compensation Corporation	15,620,527	2.66%
11. BNP Paribas Noms Pty Limited	13,955,161	2.38%
12. RBC Investor Services Australia Nominees Pty Limited	13,580,220	2.31%
13. Citicorp Nominees Pty Limited	13,565,460	2.31%
14. Private Nominees Limited	8,431,137	1.44%
15. BNP Paribas Nominees (NZ) Limited	7,217,969	1.23%
16. UBS Nominees Pty Limited	7,195,079	1.23%
17. Public Trust	5,891,392	1.00%
18. Citicorp Nominees Pty Limited	5,380,994	0.92%
19. ANZ Wholesale Australasian Share Fund	4,721,883	0.80%
20. Masfen Securities Limited	4,456,260	0.76%
<b>Total</b>	<b>419,629,134</b>	<b>71.43%</b>

Total shares on issue as at 14 August 2015 were 587,472,741 of which 6,699,707 were held in aggregate by Public Trust on behalf of eligible and future participants pursuant to the 2013 SKYCITY Chief Executive Officer Long Term Incentive Plan and SKYCITY Senior Executive Long Term Incentive Plan. No shares were held by the company directly as treasury stock.



**DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 14 AUGUST 2015**

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1-1,000	3,739	1,450,566
1,001-5,000	7,937	21,799,945
5,001-10,000	2,913	20,609,194
10,001-100,000	2,560	59,322,029
>100,000	133	484,291,007
<b>Total</b>	<b>17,282</b>	<b>587,472,741</b>

As at 14 August 2015, there were 1,109 shareholders (with a total of 58,680 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$3.69. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A\$500.

**SUBSTANTIAL SECURITY HOLDERS**

The following persons had given notice as at 30 June 2015, in accordance with subpart 5 of Part 5 of the New Zealand Financial Markets Conduct Act 2013, 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
BlackRock Group (BlackRock Inc. and certain subsidiaries)	3 October 2014	40,792,063	7.00%
Perpetual Limited and subsidiaries	15 April 2015	41,924,156	7.14%
Lazard Asset Management Pacific Co	5 June 2015	42,229,375	7.188%

The total number of listed voting securities of SKYCITY Entertainment Group Limited as at 30 June 2015 was 587,472,741.

**REMUNERATION OF DIRECTORS**

Remuneration paid to, and other benefits received by, non-executive directors for services in their capacity as directors of SKYCITY Entertainment Group Limited during the financial year ended 30 June 2015 are as listed below:

	BOARD AND COMMITTEE FEES	OTHER
Chris Moller (Chairman)	\$275,000.00	
Bruce Carter (Deputy Chairman)	\$192,500.00	
Rod McGeoch	\$39,919.35	\$22,913.24 <sup>(1)</sup>
Brent Harman	\$161,000.00	\$ 2,580.14 <sup>(2)</sup>
Peter Cullinane	\$151,000.00	
Sue Suckling	\$143,540.32	\$ 1,290.07 <sup>(2)</sup>
Richard Didsbury	\$141,000.00	
Richard Tsiang	\$135,693.54 <sup>(3)</sup>	

The figures shown are gross amounts and exclude GST where applicable.

(1) Rod McGeoch retired as a director effective from 16 October 2014. In addition to remuneration paid for services in his capacity as a director, he was paid \$22,913.24 in October 2014 as a retirement payment following his retirement from the board as detailed further on page 78 of this annual report.

(2) Being premiums paid to SKYCITY's health insurance provider during the period for the relevant director, who received the benefit of a health insurance plan that SKYCITY offers to all of its employees (either at no cost or at a discounted rate).

(3) Richard Tsiang received total remuneration of \$135,693.54 during the financial year ended 30 June 2015, of which \$59,749.99 was paid to him in respect of consultancy services provided to the Group for the period from 15 July-16 December 2014 (inclusive) prior to his appointment as a director on 17 December 2014.

In addition to the amounts above:

- SKYCITY meets the expenses incurred by directors in relation to company matters, which are incidental to the performance of their duties, including travel; and
- SKYCITY paid \$20,400 (plus GST) to Richard Didsbury during the financial year ended 30 June 2015 in connection with consultancy services provided by him in relation to the New Zealand International Convention Centre, which were provided as additional services outside of his capacity as a director of the company.

Nigel Morrison is Managing Director and Chief Executive Officer of the company. The remuneration paid to, and other benefits received by, Mr Morrison in his capacity as Chief Executive Officer during the financial year ended 30 June 2015 are detailed on page 79 of this annual report.

**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 2015, are listed below.

Remuneration includes salary, short term cash bonuses and, where applicable, health insurance premiums and the value of share rights and shares expensed during the financial year ended 30 June 2015. 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	58
\$110,000-\$119,999	37
\$120,000-\$129,999	20
\$130,000-\$139,999	18
\$140,000-\$149,999	10
\$150,000-\$159,999	18
\$160,000-\$169,999	13
\$170,000-\$179,999	7
\$180,000-\$189,999	6
\$190,000-\$199,999	3
\$200,000-\$209,999	5
\$210,000-\$219,999	4
\$220,000-\$229,999	1
\$230,000-\$239,999	2
\$240,000-\$249,999	1
\$250,000-\$259,999	3
\$260,000-\$269,999	2
\$290,000-\$299,999	3
\$320,000-\$329,999	2
\$330,000-\$339,999	1
\$340,000-\$349,999	1
\$350,000-\$359,999	1
\$360,000-\$369,999	1
\$400,000-\$409,999	1
\$430,000-\$439,999	1
\$440,000-\$449,999	1
\$480,000-\$489,999	1
\$530,000-\$539,999	1
\$550,000-\$559,999	1
\$610,000-\$619,999	1
\$630,000-\$639,999	1
\$640,000-\$649,999	1
\$690,000-\$699,999	1
\$700,000-\$709,999	1
\$730,000-\$739,999	1
\$770,000-\$779,999	1
\$800,000-\$809,999	1
\$880,000-\$889,999	2
\$910,000-\$919,999	1
<b>Total</b>	<b>234</b>

## 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 2015 (notices given by directors during the financial year ended 30 June 2015 are marked with an asterisk):

<b>Chris Moller (Chairman)</b>		<b>Sue Suckling</b>	
Cricket World Cup 2015 Ltd	Observer	Acemark Holdings Limited	Managing Director
Meridian Energy Limited	Chair	Barker Fruit Processors and certain subsidiaries	Chair
New Zealand Transport Agency	Chair	Callaghan Innovation Research Limited	Chair
Westpac New Zealand Limited	Director	ECL Group Limited	Chair
<b>Bruce Carter (Deputy Chairman)</b>		Jacobsen Holdings Limited	Chair
ASC Pty Limited	Chair	New Zealand Qualifications Authority	Chair
Badge Management Pty Limited	Director	NZ Health Partnerships Limited	Interim Chair*
Bank of Queensland Limited and certain subsidiaries	Director	Restaurant Brands New Zealand Limited	Director
BBRC Funds Management Pty Ltd	Director	Takeovers Panel	Member
Cobbadah Pty Limited	Director	<b>Richard Didsbury</b>	
Eudunda Farmers Limited	Director	Auckland International Airport Limited	Director
Ferrier Hodgson	Consultant	Brick Bay Wines Limited	Director
Fortis Ago Pty Ltd	Director	Brick Bay Development Trust	Trustee
Genesee & Wyoming Australia Pty Limited	Director	Brick Bay Investments Trust	Trustee
Stichting Administratiekantoor Manadel (Holland)	Director	Brick Bay Trustee Limited	Director
<b>Brent Harman</b>		Committee for Auckland Limited	Chair
Harman Consulting Limited	Director and Shareholder	Hobsonville Land Company Limited	Director
Harman Investments Limited	Director and Shareholder	Kiwi Property Group Limited	Director
<b>Peter Cullinane</b>		Whisper Cove Heights Limited	Director
APN News & Media Limited	Director	<b>Richard Tsiang</b>	
Assignment Group New Zealand Limited	Director	The Hong Kong Jockey Club	Consultant and Advisory Board Member*
Lewis Road Butters Limited	Director and Shareholder		
Lewis Road Creamery Limited	Director and Shareholder		
Low Flying Kiwis Limited	Director and Shareholder		
STW Communications Group Limited	Director and Shareholder		
The Kiwi Trust	Trustee*		

The following details included in the Interests Register as at 30 June 2014, or entered during the financial year ended 30 June 2015, have been removed during the financial year ended 30 June 2015:

- Bruce Carter is no longer Chair of Territory Insurance Office or a director of RSC Nominees Pty Limited.
- Sue Suckling is no longer a Chair of Health Benefits Limited Transition Interim Governance Group or a director of New Zealand Health Innovation Hub, Oxford Clinic Hospital Limited or Oxford Health Limited.

**DIRECTORS' AND OFFICERS' INDEMNITIES**

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

**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 2015:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
Chris Moller (Chairman)	3 October 2014	\$3.5758 per share <sup>(1)</sup>	1,611 <sup>(2)</sup>
Bruce Carter (Deputy Chairman)	20 August 2014	A\$3.40 per share	10,000 <sup>(3)</sup>
	3 October 2014	\$3.5758 per share <sup>(1)</sup>	1,467 <sup>(3)</sup>
Brent Harman	3 October 2014	\$3.60 per share	5,000 <sup>(4)</sup>
	3 October 2014	\$3.5758 per share <sup>(1)</sup>	280 <sup>(5)</sup>
	27 March 2015	\$4.09 per share	7,800 <sup>(4)</sup>
	27 March 2015	\$4.09 per share	(7,800) <sup>(5)</sup>
Sue Suckling	3 October 2014	\$3.5758 per share <sup>(1)</sup>	799
	6 October 2014	Nil <sup>(6)</sup>	(31,513)
	6 October 2014	Nil <sup>(6)</sup>	31,513 <sup>(7)</sup>
Richard Didsbury	10 September 2014	\$3.72 per share	10,000
	3 October 2014	\$3.5758 per share <sup>(1)</sup>	390
Nigel Morrison	24 October 2014	\$2.885 per share <sup>(8)</sup>	32,236
	24 October 2014	\$2.885 per share <sup>(8)</sup>	(32,236)
	24 October 2014	Nil <sup>(9)</sup>	(96,707)
	19 May 2015	Nil <sup>(9)</sup>	(1,094,291)

(1) Shares issued under the SKYCITY Dividend Reinvestment Plan.

(2) Shares held by FNZ Custodians Limited.

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

(4) Shares held by Forbar Nominees Limited.

(5) Shares held by Investment Custodial Services Limited.

(6) Shares transferred to the trustees of The Sue Suckling Family Trust as part of a personal reorganisation.

(7) Shares held by the trustees of The Sue Suckling Family Trust.

(8) Share rights converted to shares under the 2009 SKYCITY Chief Executive Officer Long Term Incentive Plan.

(9) Lapse of share rights under the 2009 SKYCITY Chief Executive Officer Long Term Incentive Plan.

**DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES**

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2015:

	SHARES BENEFICIALLY HELD
Chris Moller (Chairman)	63,526 <sup>(1)</sup>
Bruce Carter (Deputy Chairman)	53,944 <sup>(2)</sup>
Brent Harman	42,800 <sup>(3)</sup>
	2,480 <sup>(4)</sup>
Peter Cullinane	29,250
Sue Suckling	31,513 <sup>(5)</sup>
Richard Didsbury	15,390
Richard Tsiang	30,000
Nigel Morrison	1,144,325
	82,233 <sup>(6)</sup>
	1,279,258 <sup>(7)</sup>

(1) Shares held by FNZ Custodians 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 the trustees of The Sue Suckling Family Trust.

(6) Shares held by Perpetual Limited.

(7) Shares acquired under the 2013 SKYCITY Chief Executive Officer Long Term Incentive Plan and held by Public Trust.

## 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 page 89 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 2014/2015 financial year, being 30 June 2015:

Chris Moller (Chairman)	Bruce Carter (Deputy Chairman)
Brent Harman	Peter Cullinane
Sue Suckling	Richard Didsbury
Richard Tsiang	Nigel Morrison

## 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 2014/2015 financial year, being 30 June 2015:

- Directors: Nigel Morrison and Peter Treacy:
  - New Zealand International Convention Centre Limited
  - Otago Casinos Limited
  - Planet Hollywood (Civic Centre) Limited<sup>(1)</sup>
  - Queenstown Casinos Limited
  - SKYCITY Action Management Limited
  - SKYCITY Auckland Holdings Limited
  - SKYCITY Auckland Limited
  - SKYCITY Casino Management Limited
  - SKYCITY Hamilton Limited
  - SKYCITY International Holdings Limited
  - SKYCITY Investment Holdings Limited
  - SKYCITY Investments Australia Limited
  - SKYCITY Investments Christchurch Limited<sup>(2)</sup>
  - SKYCITY Investments Queenstown Limited
  - SKYCITY Management Limited
  - SKYCITY Metro Limited
  - SKYCITY Wellington Limited
  - Sky Tower Limited

(1) Planet Hollywood (Civic Centre) Limited was wound up and removed from the New Zealand Register of Companies on 28 July 2015.

(2) SKYCITY Investments Christchurch Limited was wound up and removed from the New Zealand Register of Companies on 14 July 2015.

- Directors: David Christian, Nigel Morrison, Peter Treacy and Bruce Carter:
  - SKYCITY Adelaide Pty Limited
  - SKYCITY Australia Finance Pty Limited
  - SKYCITY Australia Pty Limited
- Directors: Nigel Morrison, Peter Treacy and Bruce Carter:
  - SKYCITY Treasury Australia Pty Limited
  - SKYCITY Darwin Pty Limited

## Non-wholly Owned Company Directorships

At 30 June 2015, SKYCITY also had an interest in, and was represented by SKYCITY executives on the boards of, the companies listed below:

- SKYCITY representative on the board – Nigel Morrison:
  - Force Location Limited

## WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

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

- on 9 February 2011, NZX granted SKYCITY a waiver from NZX Listing Rule 7.11.1 (which requires 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; and
- on 21 August 2015, NZX granted SKYCITY a waiver from NZX Listing Rule 5.2.3 (which requires securities to be held by at least 500 members of the public holding at least 25% of the number of securities of the class issued, with each such member holding at least a minimum holding, before being considered by NZX for quotation on the New Zealand stock exchange) in relation to the proposed offer by the company of new unsubordinated, unsecured, redeemable, fixed rate bonds (Bonds) to be quoted on the NZX Debt Market for a period of 12 months from the quotation date for the Bonds. The waiver permits SKYCITY to have fewer than 500 Bond holders who are members of the public holding at least 25% of the Bonds, with the effect that the Bonds may not be widely held and there may be reduced liquidity in those Bonds.

All other waivers granted prior to the 12 month period preceding the balance date had ceased to have effect or were not relied upon during the period.



## LONG TERM INCENTIVE SHARES

As at 14 August 2015, shares on issue were as detailed below:

- 1,279,258 shares issued under the 2013 SKYCITY Chief Executive Officer Long Term Incentive Plan (approved by shareholders at the 2013 Annual Meeting) and held by Public Trust on behalf of the Chief Executive Officer. The shares have been purchased by Mr Morrison under the Plan with the assistance of an interest-free loan and are held on behalf of Mr Morrison by Public Trust for a restrictive period. The shares vest in Mr Morrison when performance hurdles set by the board of directors are met; and
- 2,811,250 shares issued under the SKYCITY Senior Executive Long Term Incentive Plan (initially approved by directors in September 2009) and held by Public Trust on behalf of 23 participants. The shares have been purchased by the participants under the 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 when performance hurdles set by the board of directors are met.

## LIMITATIONS ON ACQUISITIONS 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.

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 \$52,260 were made by the company during the 12-month period ended 30 June 2015 (\$17,482 during the 12 months ended 30 June 2014).

## REVIEW OF OPERATIONS AND ACTIVITIES

A detailed review of the operations and activities of the company for the financial year ended 30 June 2015 is set out in the Chairman and Chief Executive Officer's Review on pages 4 to 11 of this annual report.

## OTHER LEGISLATION/REQUIREMENTS

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

Other than the provisions noted on page 89 of this annual report, 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 SKYCITY Chief Executive Officer Long Term Incentive Plan and SKYCITY Senior Executive Long Term Incentive Plan as detailed 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 14 August 2015, 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 2001 (Australia).

There are no material differences between NZX Appendix 1 and ASX Appendix 4E issued by SKYCITY Entertainment Group Limited on 12 August 2015 in respect of the financial year ended 30 June 2015 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.

In respect of the year ended 30 June 2015, a final dividend of 10 cents per share will be paid on 2 October 2015 to all shareholders on the company's register at the close of business on 18 September 2015. The company's Dividend Reinvestment Plan (established in February 2011) will apply to this final dividend with a 2% discount. The closing date for electing to participate in the Dividend Reinvestment Plan for this final dividend was 5.00pm (New Zealand time) on 21 September 2015. Full details of the company's Dividend Reinvestment Plan are available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com).

**REGISTERED OFFICE**

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**REGISTRARS**

**NEW ZEALAND**

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