

ANNUAL REPORT

YEAR ENDED 30 JUNE

2016



AUCKLAND

HAMILTON

DARWIN

ADELAIDE

QUEENSTOWN



contents

GENERAL

Chairman and Interim Chief Executive Officer's Review	4
Our Community Involvement	10
Our Major Growth Projects	12
Corporate Social Responsibility	14
Brand Campaign	16
Award-Winning Staff and Business	18
Our Board	22
Our Management	24

FINANCIAL STATEMENTS

Independent Auditor's Report	28
Income Statement	30
Statement of Comprehensive Income	31
Balance Sheet	32
Statement of Changes in Equity	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
Reconciliation of Normalised Results to Reported Results	61

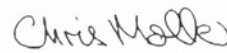
CORPORATE GOVERNANCE STATEMENT AND OTHER DISCLOSURES

Corporate Governance Statement	64
Shareholder Information	76
Bondholder Information	78
Director and Employee Remuneration	80
Directors' Disclosures	81
Company Disclosures	84
Other Information	85
Directory	87

ANNUAL MEETING

The 2016 annual meeting of SKYCITY Entertainment Group Limited will be held on Friday 21 October 2016 in the SKYCITY Theatre, Level 3, SKYCITY Auckland, Corner of Wellesley and Hobson Streets, Auckland, commencing at 10.00am (New Zealand time).

This annual report is dated 10 August 2016 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.

A successful period of growth

The 2016 financial year (FY16) has been a successful one for SKYCITY, following on from the momentum achieved during the 2015 financial year (FY15).

Strong financial results were achieved across most parts of the business and good progress was made on our major growth projects in Auckland and Adelaide.

The main features of our FY16 result were:

- Record normalised revenue and earnings for the group for a full year period
- Record normalised net profit after tax (NPAT) of \$152.7 million, up 13.9% on the previous corresponding period

- Record reported NPAT of \$145.7 million, up 13.1%
- Continued strong growth at SKYCITY Auckland, with the property benefiting from recent investment, supportive external factors and the new gaming concessions
- Record group-wide International Business activity with turnover up 32.7% to \$12.4 billion
- Further strong growth at SKYCITY Hamilton and the combined Queenstown properties



- Improved performance by Adelaide Casino underpinned by an increase in International Business activity and improved operating margins
- Disappointing result for SKYCITY Darwin, which was adversely impacted by challenging trading conditions
- Significant progress on the New Zealand International Convention Centre (NZICC) and Hobson Street hotel projects following signing of construction contracts with Fletcher Construction in November 2015
- Good progress on the Adelaide Casino expansion and new hotel development with an early works agreement signed with the South Australian Government in May 2016
- Successful raising of \$263 million of new equity in May/June 2016 to support the funding of our major growth projects
- Full year dividend of 21.0 cents per share, up 1.0 cent per share on FY15, reflecting our improved profitability

SKYCITY AUCKLAND

SKYCITY Auckland, our flagship property, celebrated its 20-year anniversary in February 2016 and continues to be a standout

performer. Our Auckland property delivered record results for the second year in a row, with revenue (excluding International Business) increasing 6.9% to \$557.5 million over the period and earnings before interest, taxation, depreciation and amortisation (EBITDA) (excluding International Business) increasing 10.0% to \$251.2 million.

The continued momentum at SKYCITY Auckland reflects the significant investment in the property over the past few years, initiatives to drive incremental visitation through customer segmentation and positive external factors which remain supportive of the business. The property is also benefiting from the new gaming concessions that were activated in November 2015. As a result, SKYCITY Auckland has now delivered ten consecutive quarters of EBITDA growth on previous corresponding periods – an excellent achievement.

Revenue and EBITDA growth at SKYCITY Auckland was achieved across all business activities. Strong growth was achieved in the gaming machines business, which benefited from increased capacity and the roll-out of cashless gaming and ticket-in-ticket-out technology.



CHRIS MOLLER
CHAIRMAN



Table games delivered a solid performance across both the main gaming floor and premium rooms, despite a relatively strong comparative period.

The Federal Street dining precinct and our Auckland hotels continued to be very popular and enable SKYCITY Auckland to offer world-class integrated casino and entertainment facilities. Federal Street has become a major dining and entertainment hub in Auckland and, with a new Cantonese restaurant planned for 2017, the precinct will continue to go from strength-to-strength.

Both the SKYCITY Hotel and the SKYCITY Grand Hotel continue to outperform local competitors in terms of occupancy and average room rates. This strong operating performance from our existing hotels, plus the favourable hotel sector trends in Auckland and New Zealand's strong tourism growth, bode well for our new Hobson Street hotel which we have decided to retain ownership of post completion.

SKYCITY has continued to invest in the Auckland property over the past year to enhance the customer experience and drive further growth. We have completed a major refurbishment of our main atrium area, the first since SKYCITY Auckland opened in February 1996. This included creating direct escalator access to the casino, a partial infill of the atrium to expand the main gaming floor, and the opening of 'Andy's Burgers & Bar'. We have also significantly enhanced our International Business offering with the opening of the 'Grand Horizon' gaming salons.

SKYCITY HAMILTON

SKYCITY Hamilton delivered another strong performance in FY16 with the positive momentum exhibited during FY15 continuing. Revenue (excluding International Business) was up 6.7% to \$53.9 million and EBITDA (excluding International Business) was up 15.1% to \$22.9 million.

The improved performance was driven by solid gaming revenue growth, the opening of new bars and restaurants during the period, favourable local macroeconomic conditions, and further cost efficiencies across the property.

SKYCITY Hamilton opened the 'City Co-Op', comprising five new food and beverage outlets, in late 2015. These new outlets have been well received by local customers and the community, and have increased visitation to the property.

The medium-term outlook for Hamilton remains positive, underpinned by strategic initiatives to drive incremental visitation to the property and to leverage positive macroeconomic drivers.

SKYCITY QUEENSTOWN AND SKYCITY WHARF

The combined Queenstown operations have delivered record results for the period, driven by significant growth in International Business volumes and local gaming activity, and an increased focus on cost control. Revenue (excluding International Business) was up 10.9% to \$13.2 million and EBITDA (excluding International Business) up 63.2% to \$3.1 million.

Queenstown remains an iconic location with strong tourism growth expected over the long-term.

ADELAIDE CASINO

Adelaide Casino delivered an improved performance during the period. EBITDA (excluding International Business) was up 19.1% to A\$25.6 million despite revenue (excluding International Business) being down 1.1% to A\$151.8 million.

Adelaide Casino's improved performance was primarily influenced by significant growth in International Business activity, improved performance of the food and beverage outlets, and a strong focus on cost control driving margin improvement.

Disappointingly, Adelaide Casino experienced a decline in local gaming revenue (down 4.3%).

SKYCITY remains firmly focused on delivering sustained revenue and earnings growth at Adelaide Casino. While we are pleased with the improved performance at Adelaide Casino, challenges remain delivering local gaming growth in a soft market. Growing our share of the local gaming machine market in South Australia is a key focus for FY17.

SKYCITY DARWIN

SKYCITY Darwin achieved disappointing results which were adversely impacted by challenging trading conditions in the Northern Territory. Revenue (excluding International Business) was down 5.3% to A\$116.2 million and EBITDA (excluding International Business) down 9.4% to A\$33.9 million.

The decline in SKYCITY Darwin's performance was primarily driven by weaker hotel demand and reduced food and beverage covers. Local gaming revenue was soft having been adversely impacted by increased competition from pubs and clubs.

Despite the near-term external challenges, SKYCITY remains confident with the medium-to-long-term outlook for our Darwin property. Darwin's strategic location close to Asia, the potential for significant growth in International Business activity, and the strong market position of our local business means SKYCITY Darwin continues to be a core asset for SKYCITY.

SKYCITY Darwin has recently applied to extend its casino licence for a further five years out to 2036. This would provide additional regulatory certainty for stakeholders and investors, following on from confirmation by the Northern Territory Government at the start of FY16 of our gaming tax rates out to June 2025.

INTERNATIONAL BUSINESS

SKYCITY's International Business delivered record activity during FY16, with group-wide turnover up 32.7% to \$12.4 billion. The average win rate for the financial year was 1.49%, which is slightly above the theoretical win rate of 1.35%, and an improvement on the FY15 win rate of 1.36%.

Normalised EBITDA was up 26.6% to \$33.5 million, reflecting stable operating margins, underpinned by increased operating efficiencies but offset by marginally higher commissions and higher bad debt provisions.

Growth in our International Business continues to be supported by the increased recognition of our first-class service offering

amongst Asian VIP customers, a continued focus on direct relationships and increased play at higher table differentials.

SKYCITY has continued to invest in the International Business over the past year through the development of new facilities and the expansion of our customer service team. The new gaming salon in Adelaide, which opened in December 2015, has been very well utilised and the new 'Grand Horizon' gaming salons recently opened in Auckland provide a new world-class offering for our VIP customers. Both new facilities will also ease capacity constraints during peak periods such as Chinese New Year and Golden Week.

There is potential for further significant growth in SKYCITY's International Business over the medium-term. Accordingly, SKYCITY intends to continue to invest prudently in the business to deliver market-leading customer experiences and attractive returns for shareholders.

NZICC AND HOBSON STREET HOTEL PROJECTS

Significant progress has been achieved on the NZICC and Hobson Street hotel projects during the period.

Construction contracts for the NZICC and Hobson Street hotel were signed in November 2015 with Fletcher Construction, triggering the activation of the new gaming concessions. These concessions included an extension of SKYCITY Auckland's casino licence out to 30 June 2048 and a 30% increase in gaming capacity for our Auckland property.

The overall development programme is progressing well and remains on-budget. Excavation commenced in June 2016 and completion of both the NZICC and Hobson Street hotel is expected in the first quarter of 2019.

SKYCITY concluded the Hobson Street hotel sale process in May 2016 and elected to retain this valuable asset. Given the favourable outlook for the Auckland hotel market, SKYCITY is comfortable retaining ownership of the Hobson Street hotel and expects it to deliver significant revenue and earnings for SKYCITY Auckland post opening.



The NZICC and Hobson Street hotel developments are together one of the most significant building projects in Auckland in a generation, and will help stimulate significant tourism, employment and broader economic growth for Auckland and New Zealand.

ADELAIDE CASINO EXPANSION AND HOTEL DEVELOPMENT

SKYCITY remains committed to the expansion of Adelaide Casino and the development of a new hotel given we continue to believe in the significant growth potential of the property following completion of the broader redevelopment of Adelaide's Riverbank Precinct.

Design and planning approval for the expansion was received in January 2016 and an early works agreement with the South Australian Government was signed in May 2016.

SKYCITY welcomed the announcement in May 2016 that the South Australian Government and Walker Corporation had reached an agreement for the development of Festival Plaza. Walker Corporation plans to construct a car park (of which SKYCITY will exclusively lease 750 spaces), a retail precinct and office building over the next three years.

SKYCITY continues to expect a total development cost for the Adelaide Casino expansion of around A\$300 million. Main construction works on the expansion are expected to commence in the second-half of 2017, with completion expected in early 2020.

FUNDING

SKYCITY finalised the key elements of its long-term funding plan in June 2016 following the successful completion of our pro-rata equity offer which raised \$263 million.

The equity raising received strong support from both existing and new shareholders. The net proceeds of the raising have been used to repay bank debt and reduce gearing in order to support the funding of our major growth projects.

SKYCITY expects that the new equity will provide sufficient funding capacity and headroom for the company to fund its major growth projects and maintain its BBB- credit rating from Standard & Poor's. The new equity should also allow SKYCITY to continue to invest prudently in the business.

Following the equity raising, our existing debt facilities are expected to be sufficient to meet future funding requirements out to the middle of FY18. SKYCITY currently intends to secure additional debt funding through an extension of and potential increases in existing bank facilities, further New Zealand bond issues, and/or further US private placement note issues.

DIVIDEND

SKYCITY has announced a final dividend of 10.5 cents per share, 5% up on the final dividend for FY15, which is payable on 16 September 2016. The company's Dividend Reinvestment Plan will be available for this dividend, with a 2% discount applying.

This takes the full year dividend for FY16 to 21.0 cents per share, up 1.0 cent per share on the prior year and in-line with our stated dividend policy of distributing at least 80% of normalised NPAT to shareholders each year.

The increased full year dividend enables shareholders to benefit from our improved operating performance and profitability. We believe our dividend policy continues to offer our shareholders an attractive yield and is sustainable over the medium-term.

CHIEF EXECUTIVE OFFICER AND DIRECTOR CHANGES

We farewelled Nigel Morrison during April 2016 following his resignation as Chief Executive Officer. Nigel left with the Board's best wishes and thanks after eight years of dedicated service. Nigel's legacy at SKYCITY is significant, having presided over the extension of the company's exclusive casino licences in Auckland and Adelaide, the negotiation of the NZICC transaction and commencement of development, the unprecedented growth of SKYCITY's International Business, and the transformation of the Federal Street precinct.

The search for a new Chief Executive Officer is progressing well with the Board having engaged global search firm Spencer Stuart. Until a new Chief Executive Officer is appointed, it is very much "business as usual" across the company. SKYCITY is fortunate to have a strong senior management team in place that is focused on delivering improved financial performance across the group and progressing our major growth projects.

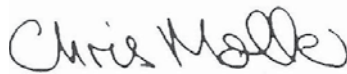
Following the resignations of Peter Cullinane and Nigel Morrison from the Board during FY16, the Board has made good progress on its search for up to two new non-executive directors. The Board's intention is that at least one of the new appointments will be female.

THANKS

We would like to thank the members of the SKYCITY Board for their ongoing wisdom, advice and support throughout what has been a very busy and, at times, challenging year.

The Board would like to thank John Mortensen, who has stepped in as Interim Chief Executive Officer. John has extensive experience in the gaming industry, has done an outstanding job improving the performance of SKYCITY Auckland and our other New Zealand properties in his roles as General Manager SKYCITY Auckland and Chief Operating Officer New Zealand, and has earned the respect and trust of the Board during his time at SKYCITY.

Finally, our thanks go to the wider SKYCITY executive team for their guidance and leadership across the business during the year and, in particular, to every one of our staff members across the group for their ongoing commitment, customer focus and teamwork. Thank you for all that you do for SKYCITY – it is greatly appreciated.



CHRIS MOLLER
CHAIRMAN



JOHN MORTENSEN
INTERIM CHIEF EXECUTIVE OFFICER



NORMALISED REVENUE

7.6%

UP

to \$1.1 billion



FULL YEAR DIVIDEND

21.0

CENTS PER SHARE

up 5%



REPORTED NPAT

13.1%

UP

to \$145.7 million





Making meaningful connections

Since SKYCITY opened its first casino in 1996, it has strived not only to provide sustainable total shareholder returns but also to be a responsible corporate citizen and an effective community leader, wherever it operates. We are proud of the significant contributions each of our properties has made in their communities across New Zealand and Australia.

Our financial contributions include donations, fundraising, sponsorships, in-kind support and Community Trust grants for a wide range of community groups and activities, as well as contributions through rates, taxes and spending on salaries and wages, goods and services.

FUNDRAISING CASE STUDY - LEUKAEMIA & BLOOD CANCER FIREFIGHTER CHALLENGE

Hosted by SKYCITY, firefighters from over 234 brigades across the country have set another new fundraising record for the Firefighter Sky Tower Stair Challenge on 28 May 2016 raising just over \$1.161 million for Leukaemia & Blood Cancer New Zealand (LBC). The event hit the million dollar milestone for the first time in 2015.

“The wonderful fundraising events we hold at SKYCITY are hugely important to us. The use of their fantastic venues, and most notably access to the Sky Tower, has been invaluable to our events becoming iconic and successful in New Zealand. The thing that always stays with me, and that we appreciate so much, is the massive amount of care, enthusiasm and dedication that is invested into supporting LBC by SKYCITY staff across the many different teams within the organisation.”

Pru Etcheverry, Chief Executive Officer, Leukaemia & Blood Cancer New Zealand

We actively participate in local business activities and tourism promotions as well as civic, state and national development. Our Collaborative Leadership programme, facilitated by Auckland Communities Foundation and the New Zealand Leadership Institute, focused on developing the not-for-profit sector’s understanding of, and capacity for, collaborative leadership. The 15-month programme concluded with two collaborative groups completing the programme and putting forward applications for full project funding to build capacity in their communities.

We work closely with community groups and support local events and activities. We are increasingly prioritising grants to collaborative organisations and initiatives for the greater community benefit. Our partnerships with local organisations continue to grow in every community in which we operate.

EXAMPLES OF OUR COMMUNITY SUPPORT

- **SPCA Otago & Victim Support Wakatipu:** A fundraiser evening was hosted by SKYCITY Queenstown.
- **Ronald McDonald House - Hamilton Supper Club event:** SKYCITY Hamilton was the major supporter of this event which included hosting the event as well as two group dinners. The event raised over \$60,000 which is a record for a Supper Club event.
- SKYCITY Hamilton has shown its support to hundreds of local children’s winter sports teams through the **Player of the Day programme**, where SKYCITY supplies certificates and bowling vouchers for the weekly winners.
- **Darwin Masters Rugby Tournament:** In-kind use of Little Mindil for the tournament.

- **Cooking4Change:** The SKYCITY Breakers came in to cook with chef Sean Connolly in The Grill in support of Dick Frizzell’s Cooking4Change charity project where all proceeds from cookbooks created go to charity.
- **Cancer Council Biggest Morning Tea:** A fundraising morning tea was held at SKYCITY Darwin in conjunction with Cancer Council and Territory FM.
- More than \$20,000 was raised for **Variety – The Children’s Charity** at the Jimmy Choo Charity Auction hosted by SKYCITY.
- **Foodbank NT:** SKYCITY Darwin staff donated food items at Christmas which were donated to FoodBank Darwin.
- **Lunar New Year Street Party and VIP Dinner:** A large scale community event attended by 20,000 people to celebrate the Lunar New Year in and around the Chinatown precinct of Adelaide (Gouger Street). Adelaide Casino was a gold sponsor.
- **Kidz First Christmas party:** SKYCITY hosted more than 120 children and their families from the children’s ward at Middlemore Hospital for their annual Christmas party at SKYCITY Auckland. Kids got to meet some famous faces from the SKYCITY Breakers, Vodafone Warriors, SKYCITY Mystics and Blues rugby team.

Since 1996, SKYCITY Community Trusts have been proud to distribute more than \$46.4 million to more than 4,150 community groups and organisations, large and small, through our three Community Trusts in Auckland, Hamilton and Queenstown.

COMMUNITY TRUST CASE STUDY - THE MIDDLEMORE FOUNDATION FOR HEALTH INNOVATION

“Summarising SKYCITY’s support is no easy task, given that support stretches back



FIREFIGHTER SKY TOWER STAIR CHALLENGE

17 years. Money in the form of sponsorship and Trust grants have been invested in community dental programmes, school clinics, child protection services, insulation schemes, mobile ear clinics, Kidz First Children’s Hospital, the National Burn Centre, spinal care, in critically-ill premature babies, and even in hi-tech training dummies for staff”.

Middlemore Foundation Executive Director Pam Tregonning says the relationship is critical.

“We’re not going to pretend the financial support isn’t vital, but it’s also the openness, the willingness to go above and beyond. That’s shown in the effort that goes into giving disadvantaged children a Christmas party each year. It’s hosted, it’s catered, it’s staffed by volunteers, who are amazing with our kids whatever their disability, and without that, it just wouldn’t happen,” she said.

“Working in the charity sector can be tough, because you are always asking, but with SKYCITY, while you can’t guarantee you’ll always get a yes, you can guarantee you’ll be listened to, people will truly seek to understand, and that you’ll be treated with respect. That’s been the basis for a relationship that is nearly two decades old, and one which we hope will continue well into the future.”

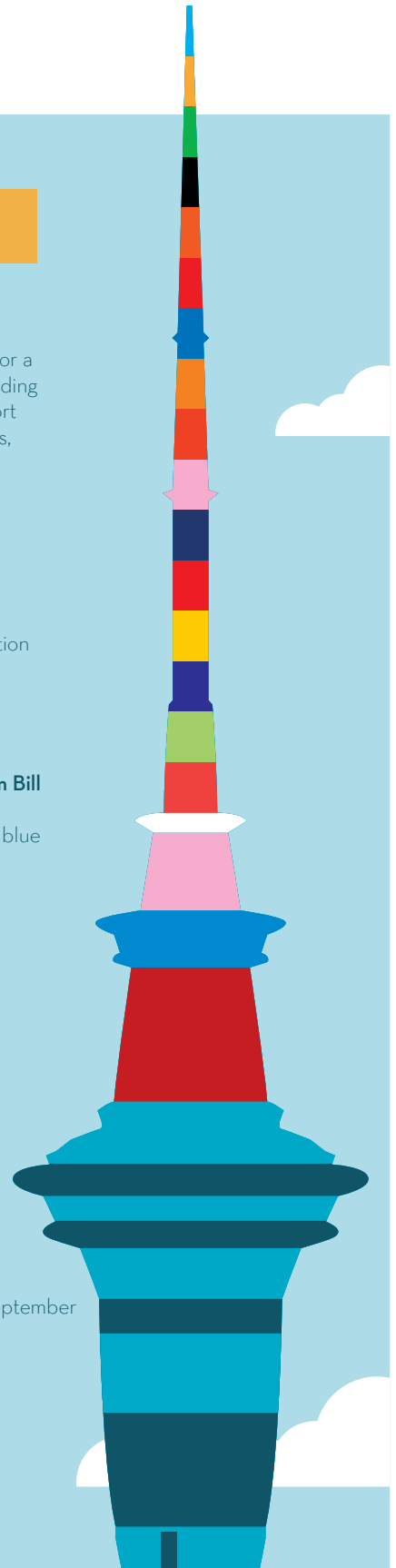
Pam Tregonning, Executive Director, Middlemore Foundation for Health Innovation

CONNECTED TO COMMUNITIES

SKYCITY lights the Sky Tower to show support for a number of organisations and special events, including charities and community initiatives that we support financially or to mark national holidays, milestones, other celebrations or significant events.

- **SKYCITY Breakers finals weekend** Blue
- **Federal Street Festival** Federal Street projection with burnt orange
- **St Patrick’s Day** Green
- **All Blacks** Black with white stripes
- **Matariki** Red, orange and yellow
- **30th Anniversary of Homosexual Law Reform Bill** Rainbow colours
- **American Independence Day** Red, white and blue
- **World Vision 40-Hour Famine** Orange
- **Leukaemia & Blood Cancer New Zealand Firefighter Sky Tower Stair Challenge** Red
- **Mother’s Day** Pink
- **Earth Hour** Lights off
- **Auckland RSA Poppy Day Anzac Day** Poppy projection with red
- **Chinese New Year** Gold and red
- **Pride Festival** Black with rising rainbow
- **Christmas** Green and red
- **Heart Kids New Zealand** Red with pulsating top
- **White Ribbon Appeal** White with pulsating top
- **New Zealand Breast Cancer Foundation** Pink during Pink October
- **Prostate Cancer Foundation** Blue for Blue September
- **Cure Kids** Red top for Red Nose Day

A number of tragic world events occurred in 2015/2016, including attacks in Brussels, Turkey, Orlando and France. The Sky Tower was lit in solidarity with those communities.





Our major growth projects



ARTIST'S IMPRESSION OF NZICC AND HOBSON STREET HOTEL

NZICC AND HOBSON STREET HOTEL PROJECTS

SKYCITY is investing approximately \$700 million in Auckland to deliver the NZICC, a new 300-room, five-star hotel on Hobson Street, a retail laneway to house a range of restaurants and bars, and an expansion of available car park facilities by over 1,300 spaces.

The NZICC will be a landmark and iconic building for Auckland, enabling New Zealand to host major conventions for around 3,000 delegates, and compete in the international conventions market for the first time.

Significant progress has been achieved on the NZICC and Hobson Street hotel projects during the year:

- Construction contracts were signed in November 2015 with Fletcher Construction;
- Demolition and site preparation has been completed; and
- Excavation of the car park commenced in June 2016.

The overall development programme is progressing on-time and on-budget with expected completion in early 2019.

ADELAIDE CASINO EXPANSION AND HOTEL DEVELOPMENT

SKYCITY has a vision to transform Adelaide Casino into an integrated world-class entertainment complex. A major opportunity exists to grow market share locally and with international VIP customers, and to significantly improve Adelaide Casino's financial performance.

SKYCITY remains committed to the expansion of Adelaide Casino and has achieved significant progress during the year:



ARTIST'S IMPRESSION OF ADELAIDE CASINO REDEVELOPMENT

- Design and planning approval was received in January 2016; and
- An early works agreement with the South Australian Government was signed in May 2016.

SKYCITY is pleased to see progress made on the broader development of the Riverbank Precinct, of which the Adelaide Casino expansion forms an important part.

SKYCITY continues to expect a total development cost for the Adelaide Casino expansion of around A\$300 million. Main construction works on the expansion are expected to commence in the second-half of 2017, with completion expected in early 2020.

AUCKLAND ATRIUM REFURBISHMENT

SKYCITY has continued to invest in the Auckland property over the past year to enhance the customer experience and drive further growth.

We have completed a major refurbishment of our main atrium area, the first time since SKYCITY Auckland opened in February 1996.

The refurbishment works have included improving the general “look-and-feel” of the atrium entry and foyer, creating direct escalator access to the casino, a partial infill of the atrium to expand the main gaming floor, and the opening of ‘Andy’s Burgers & Bar’.

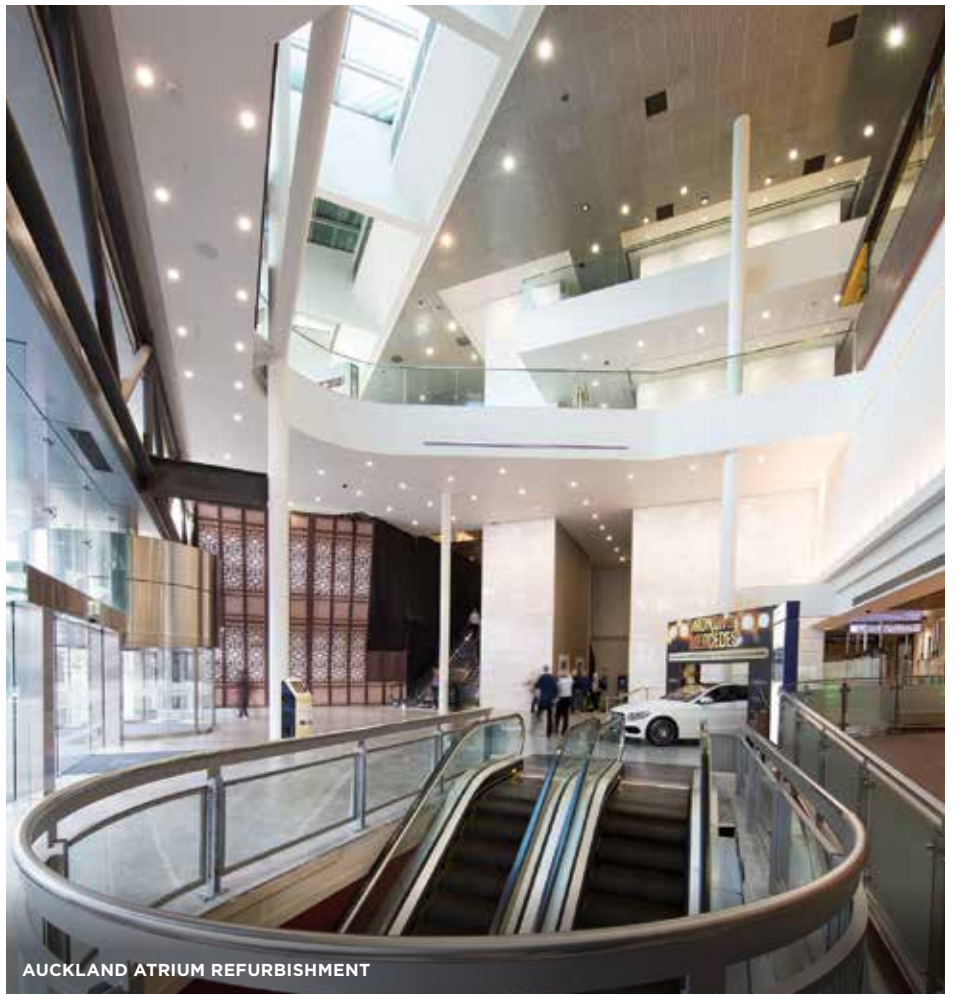
The new atrium has been well received by both local and international customers.

INTERNATIONAL BUSINESS

SKYCITY has continued to invest in International Business over the past year through the development of new facilities and the expansion of our customer service team.

The new gaming salon in Adelaide, which opened in December 2015, has been very well utilised. SKYCITY plans to open a further two new salons in Adelaide over the next six months. We also recently opened the ‘Grand Horizon’ gaming salons in Auckland to provide a new, contemporary, world-class offering for our VIP customers.

It is anticipated that these new International Business facilities will ease capacity constraints experienced during peak periods such as Chinese New Year and Golden Week.



AUCKLAND ATRIUM REFURBISHMENT



GRAND HORIZON



Corporate social responsibility

At the heart of SKYCITY’s business lies a commitment to social responsibility, to tackle issues that are important to our customers, staff, investors and communities. This commitment defines us as a business.

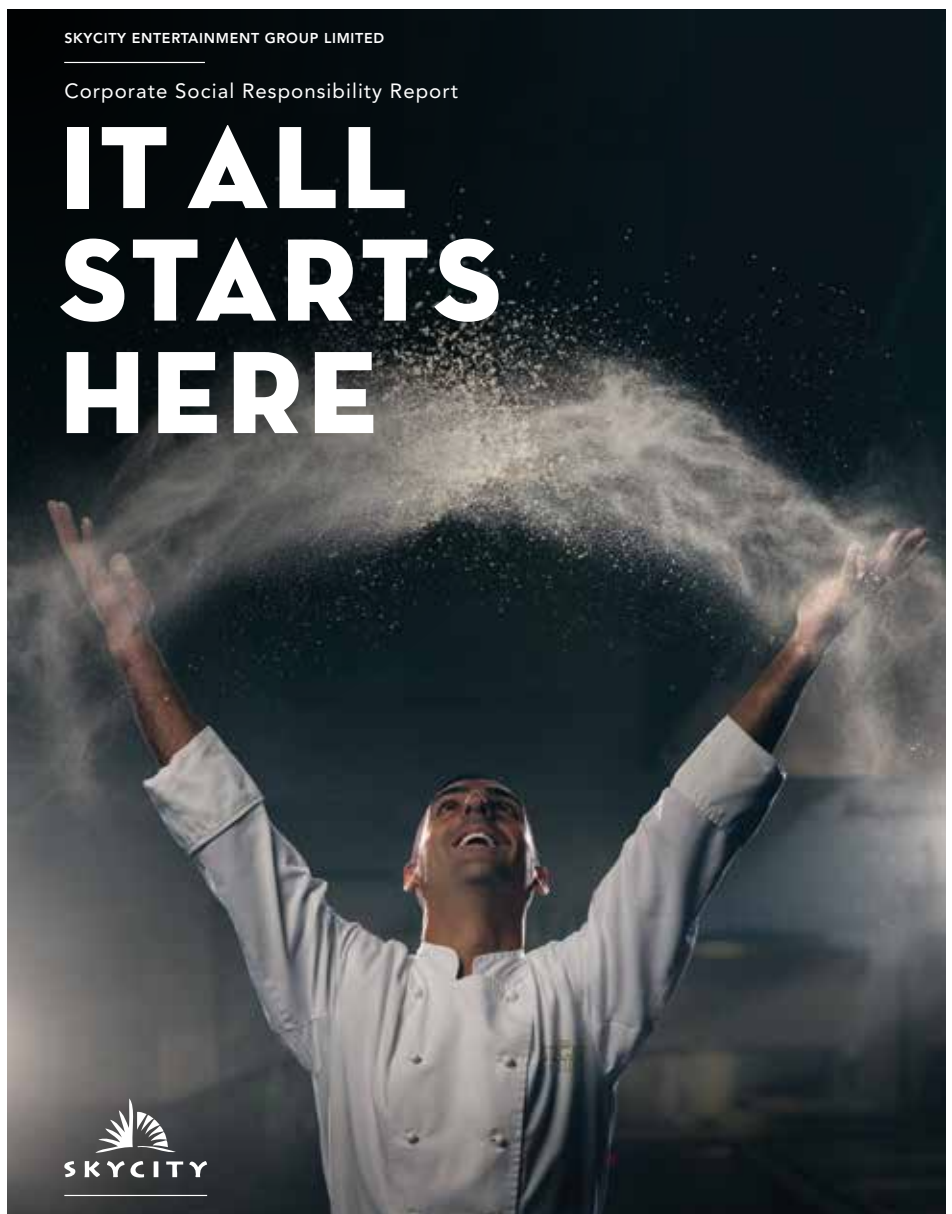
As an entertainment provider and host, SKYCITY is constantly trying to strike the right balance between excitement, reward and responsibility. This balance is crucial to our reputation within the communities in which we operate and to the diverse relationships we foster.

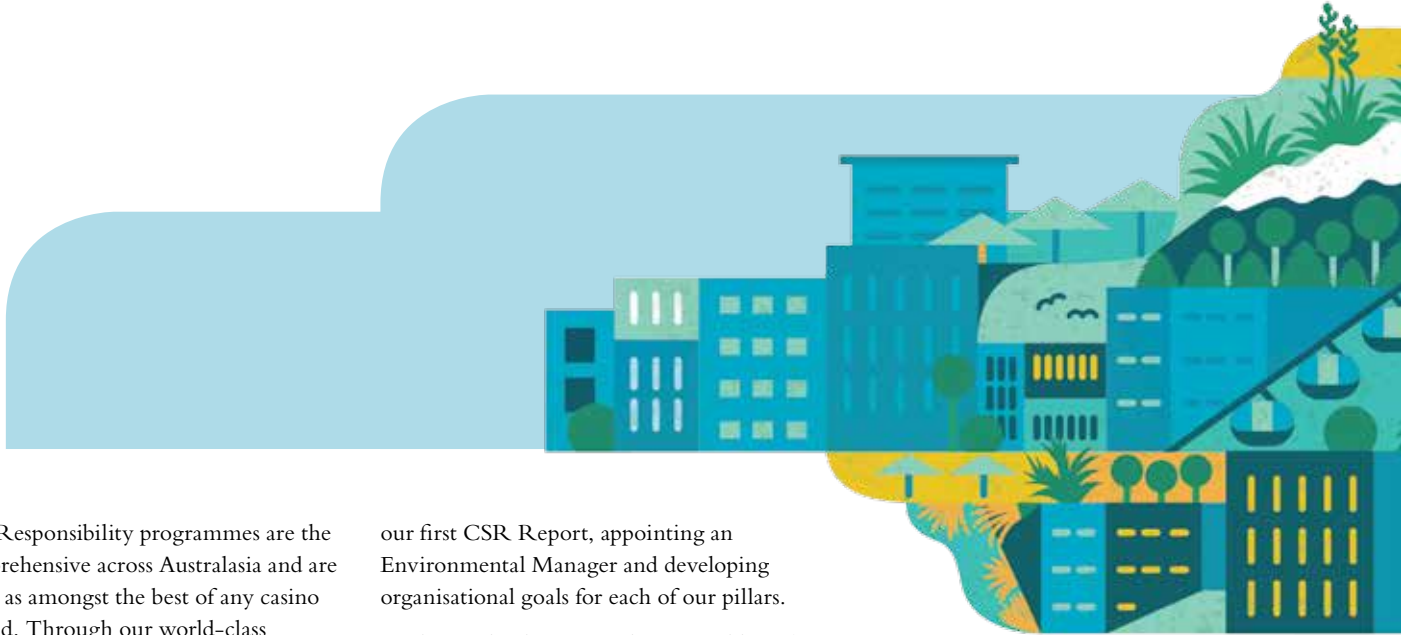
Underpinning our corporate social responsibility (CSR) policies are five pillars of excellence:

- Responsible Gaming;
- Environment;
- Fair Operating Practices;
- Labour Practices and Human Rights; and
- Community Involvement and Development.

It’s important to SKYCITY that our stakeholders and communities are aware of these priority areas and the actions we take within them, to earn and maintain our regulatory and social licence to operate.

Social sustainability, through our Responsible Gaming pillar, is at the core of our CSR strategy. SKYCITY is committed to promoting responsible gaming and consumption of alcohol on our sites. We benchmark against not just the CSR strategies of our competitors, but also other corporates around the world we admire.





Our Host Responsibility programmes are the most comprehensive across Australasia 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 more than \$5 million a year on Host Responsibility and all staff receive Host Responsibility training.

We 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. Each of our sites across New Zealand and Australia is continually managing our environmental footprint, eg. upgrading our lighting systems, reducing overall operating energy costs for heating, ventilation and air-conditioning and commissioning an indepth waste audit.

Because our businesses revolve around people, it is vital that everyone who works at SKYCITY feels included, valued and, above all, supported in their work. One of SKYCITY's great strengths has always been that we are an employer of diversity – we have people from 85 different ethnicities working for us. We are also proud to welcome customers from many different backgrounds and cultures to our sites and we want each of them to feel at-home with our people.

We have made some huge strides and commitments to improving our CSR programme in the past year, including a reassessment of our materiality matrix with internal and external stakeholders, publishing

our first CSR Report, appointing an Environmental Manager and developing organisational goals for each of our pillars.

We know that being a truly sustainable and responsible business means a long-term commitment, where we are willing to listen, learn, evolve and when required, be brave.

Our CSR Charter and Report are available on our website at www.skycityentertainmentgroup.com/our-commitment/corporate-responsibility.

CASE STUDY - LABOUR PRACTICES AND HUMAN RIGHTS PILLAR

SKYCITY has been leading work around the Sustainable Business Council's Welfare to Work programme, which aims to increase the number of young, sole parents in work. Employing young, sole parents makes sense for SKYCITY. The company is focused on growing future talent and SKYCITY's Group Manager of Talent Acquisition and Development, Amanda Tolley, says the Welfare to Work programme fits nicely with the business' work on sustainability.

"We needed to find a way to get more young people thinking about hospitality in a different way. We wanted to encourage more young people to understand their career prospects."

In the initial period of the Welfare to Work programme, SKYCITY recruited five people into jobs.

She says the company and staff are beginning to understand more about young people not in employment, education or training (NEETS).

"We are now looking at young, sole parents as a new channel for talent."

"We've got a group of young women in employment with real talent and they're showing their strengths in the workplace."

With about five new hotels opening in Auckland over the next five years, Amanda says hospitality is a very competitive labour market. But working with young, sole parents hasn't been without its challenges.

"You need to change your processes to overcome some of the barriers to bringing this group into work."

Working with government has also been a learning curve for SKYCITY.

"We've developed the way we relate to government. We needed to be more flexible in how we recruit. As a result, the Ministry of Social Development has done a fantastic job in screening candidates. They now provide good volume, regularly, and the candidates are absolutely ready and fully understand what the expectations of them will be before walking through the door. That has saved us plenty of time on candidates who might not be right for the role."



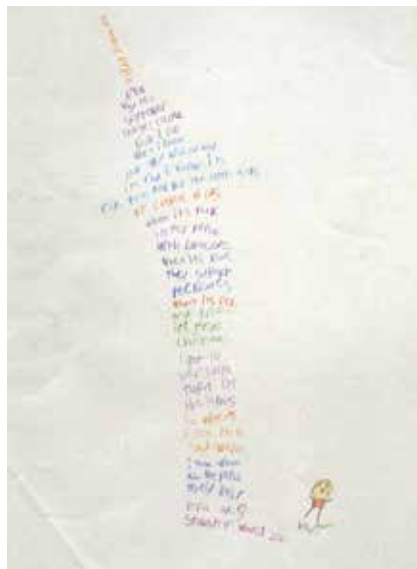
It all starts here

brand campaign

SKYCITY's brand campaign 'It All Starts Here' continued this year, running on television once again and throughout various print media. The second phase of the campaign saw a number of well-known Kiwi personalities providing their views on SKYCITY – how it has contributed to Auckland and New Zealand, its transformation over time and what they enjoy about coming to SKYCITY. These views were portrayed through highly visual and creative artwork presented in many different formats, including through magazine print and in several bus stop adshells throughout Auckland.



DICKY KIRI KIRI
SKYCITY FRONT SERVICE REPRESENTATIVE



EVA MITCHELL
EIGHT YEARS OLD, STARSHIP HOSPITAL



GREG MURPHY
V8 RACECAR DRIVER



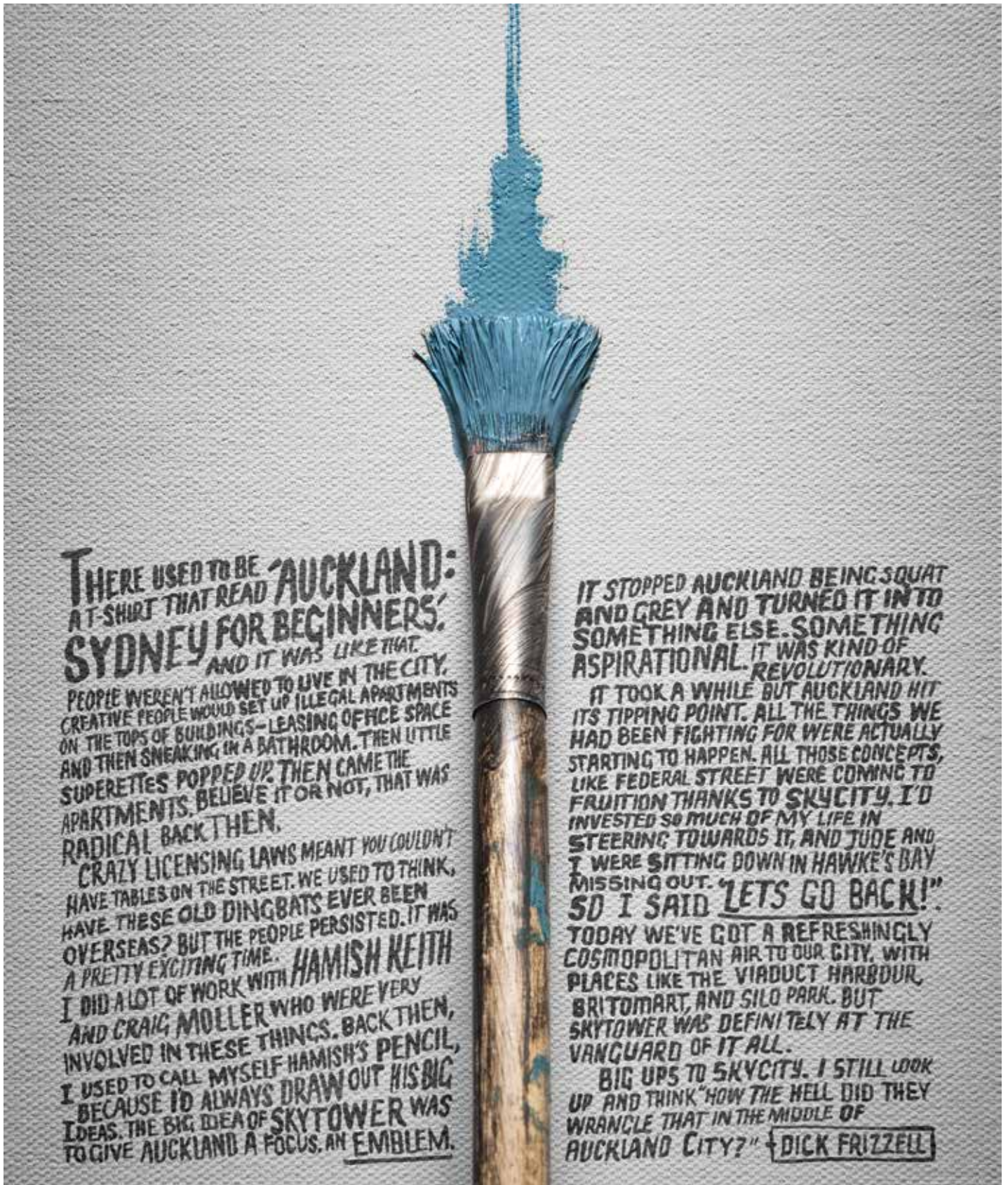
PAUL HENRY
TV/RADIO PERSONALITY



PETER GORDON
CELEBRITY CHEF



VALERIE ADAMS
OLYMPIC SHOT PUT CHAMPION



DICK FRIZZELL
ARTIST

Award-winning staff



SKYCITY Entertainment Group employs more than 6,000 staff across our properties in New Zealand and Australia. We play a significant role in our communities, including being a large employer in each of the five cities we operate in – Auckland, Hamilton, Queenstown, Adelaide and Darwin. SKYCITY is committed to being a good employer, providing our staff with excellent opportunities and sustainable careers.

SKYCITY is an award-winning business not only through our restaurants and hotels, but also with our talented staff winning many individual and team awards in their own right. We are proud of the contribution we make to the communities we operate in, and our staff continue to do us proud, year-on-year.

SKYCITY AUCKLAND

EMPLOYMENT

- SKYCITY Auckland Irene Turner Memorial Award 2015, Milika Funaki
- Quest for the Best 2015:
 - o Team of the Year: Connect Team
 - o Leader of the Year: Tracey Baxter, Accounts Payable Team Leader
 - o Employee of the Year: Richard Bakker, Mobile Support Administrator

FOOD AND BEVERAGE STAFF

- Metro Restaurant Personality of the Year 2016 – Nick Gallagher, Assistant Manager, Depot

CHEFS

NZChefs National Salon 2015 medals:

- Subhashini Sathanantham – bronze medal in the open class of the Cheese/Main/Dessert – Chef of the Year competition, bronze medal in the open class of the Cold Seafood Platter category and silver medal in the open class of The Curry Cup
- Sunok Ha – bronze medal in the open class of the New Zealand Beef category
- Dwip Oza – bronze medal in the open class of the New Zealand Pork category

HOTEL STAFF

- New Zealand Hotel Industry Conference Awards, Outstanding Young Hotel Executive of the Year Award 2016 – Brad Garnett, Hotels Revenue Manager
- New Zealand Hotel Industry Conference Awards, Sales and Marketing Employee of the Year Award 2016 – Elizabeth Burrett, Marketing Manager – Hotels, Conventions, Sky Tower

SKYCITY QUEENSTOWN & SKYCITY WHARF

Quest for the Best winners:

- December 2015: Victor Vouga, Namie Tokushima, Hwal Kim, Jeremy Lenton
- June 2016: Kyle Thomson, Dave Orpin, Mie Fukui, Ana Souza, Gerrit Heezen

ADELAIDE CASINO

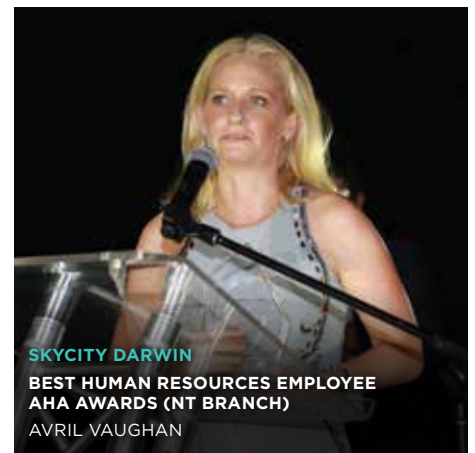
Quest for the Best 2016:

- Leader of the Year: Matt Edwards, Premier Rewards

- Employee of the Year: Queenie Perry, International Business

SKYCITY DARWIN

- Best Human Resources Employee at the Australian Hotels Association Awards (NT Branch) – Avril Vaughan, Executive Manager Human Resources and Food and Beverage



SKYCITY DARWIN
BEST HUMAN RESOURCES EMPLOYEE
AHA AWARDS (NT BRANCH)
AVRIL VAUGHAN



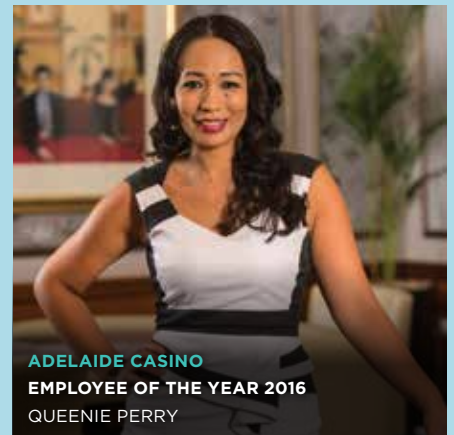
SKYCITY AUCKLAND
NEW ZEALAND CHEFS NATIONAL SALON 2015
ORBIT CHEFS

Quest for the BEST

Quest for the Best celebrates outstanding SKYCITY employees who are nominated by their peers for going above and beyond in their roles. Special awards ceremonies are held regularly at each SKYCITY site to celebrate the achievements of teams and individuals. Quest for the Best winners not only do their jobs well, but inspire, encourage, share knowledge and time willingly, lead by example and take initiative. They live and breathe SKYCITY's values every day: Play Hard, Play Fair, Play Time, Play Safe and Play a Part.



ADELAIDE CASINO
LEADER OF THE YEAR 2016
 MATT EDWARDS



ADELAIDE CASINO
EMPLOYEE OF THE YEAR 2016
 QUEENIE PERRY



SKYCITY AUCKLAND
TEAM OF THE YEAR 2015
 CONNECT TEAM



SKYCITY AUCKLAND
LEADER OF THE YEAR 2015
 TRACEY BAXTER



SKYCITY AUCKLAND
EMPLOYEE OF THE YEAR 2015
 RICHARD BAKKER



SKYCITY AUCKLAND
IRENE TURNER MEMORIAL AWARD
 MILIKA FUNAKI



SKYCITY AUCKLAND
OUTSTANDING YOUNG HOTEL EXECUTIVE OF THE YEAR 2016
 BRAD GARNETT



SKYCITY AUCKLAND
SALES AND MARKETING EMPLOYEE OF THE YEAR 2016
 ELIZABETH BURRETT



Award-winning business

SKYCITY AUCKLAND

- World Travel Awards 2015 - Australasia's Leading Casino Resort

MARKETING

- New Zealand Marketing Awards – Best Entertainment and Tourism Campaign (Chinese New Year) 2015
- Romero Awards for International Casino Marketing 2016 - Gold Award Casino Floor Promotion Large Casino (Buzzing Blackjack)
- Romero Awards for International Casino Marketing 2016 - Diamond Award Casino Floor Promotion Large Casino (Spy City)



ROMERO AWARDS FOR INTERNATIONAL MARKETING 2016: DIAMOND AWARD CASINO FLOOR PROMOTION LARGE SPY CITY



NEW ZEALAND MARKETING AWARDS: BEST ENTERTAINMENT AND TOURISM CAMPAIGN 2015 CHINESE NEW YEAR

COMMUNICATIONS

- PRINZ Awards 2016 - Winner of the Best Issues, Crisis or Emergency Management Communications campaign
- PRINZ Awards 2016 - Highly commended in Corporate Public Relations category

EMPLOYMENT

- YWCA Equity Awards 2015 – Silver Commended
- ATEED Young at Heart Awards 2015 - Innovative Youth Employer Award category
- Commendation from Diplomatic Protection Services for ongoing professionalism, assistance and cooperation by SKYCITY Management, Staff and Security Team

FEDERAL STREET RESTAURANTS

- Depot, Federal Delicatessen, The Grill by Sean Connolly, Gusto at the Grand, MASU by Nic Watt and The Sugar Club all featured in the Metro Restaurant of the Year Awards 2016 Top 50

DEPOT

- Metro Restaurant of the Year Awards 2016 Best Inner-City Bistro
- Best Established Venue at 2016 Lewisham Awards

MASU BY NIC WATT

- New Zealand Commercial Project Awards 2015 – National Category Winner and Silver Award Winner
- Metro Best Cafés 2015 - Best Special-Occasion Brunch (Nichiyo Brunch)

FEDERAL DELICATESSEN

- Metro Restaurant of the Year Awards 2016 Best All-Day Restaurant

SKYCITY HOTEL

- TripAdvisor Certificate of Excellence 2015
- Orbitz Worldwide, Best in Stay Award Winner (Auckland Market) 2015
- TripAdvisor GreenLeaders Programme - Gold Level

SKYCITY GRAND HOTEL

- TripAdvisor GreenLeaders Programme - Gold Level
- TripAdvisor Travellers' Choice Award 2016 - Top 25 Hotels New Zealand

EAST DAY SPA

- Oceania's Best Hotel Spa and New Zealand's Best Hotel Spa in World Spa Awards 2015

SKY TOWER

- TripAdvisor Traveller's Choice Award 2016 - Top 10 Landmarks New Zealand
- ExperienceOZ+NZ Top 10 Things to do in Auckland 2016

SKYCITY HAMILTON

- Hospitality and Tourism Business of the Year 2015 in the Westpac Waikato Business Excellence Awards
- Bowlevard - runner-up for the Hamilton Central Business Association Business Award in the Specialty Business Category
- Bowlevard - Entertainment Book Gold Award - Arts, Sports and Attractions Category
- City Co-Op was a finalist in the We are Waikato Awards 2015 (New Zealand Property Council Waikato)
- City Co-Op was a finalist in the New Zealand Property Council National Awards 2016

SKYCITY ADELAIDE

- Sean's Kitchen - Best Established Restaurant at the 2016 City Awards

SKYCITY DARWIN

- Evoo was awarded the only NT Judges Choice Chefs Hat Award from the Australian Good Food Guide Awards



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
 Chair 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

Chair 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 Aventus Capital Limited 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

Chair 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 new media industries in New Zealand, the United Kingdom and Australia.

4 SUE SUCKLING - Director

Member of the Remuneration and Human Resources Committee
 Chair of the Corporate Social Responsibility 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, the Lincoln Hub Establishment Board and ECL Group Limited. She is a director of Restaurant Brands New Zealand Limited and a trustee of the Ministry of Awesome. 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.

5 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 was previously 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.

6 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.

Our management

SENIOR LEADERSHIP TEAM



1 JOHN MORTENSEN
Interim Chief Executive Officer

2 ROB HAMILTON
Chief Financial Officer

3 PETER TREACY
General Counsel and
Chief Risk Officer

4 GRÁINNE TROUTE
General Manager
Corporate Services



SITE AND BUSINESS GENERAL MANAGERS



- 5 MATTHEW BALLESTY**
Acting General Manager
SKYCITY Auckland
- 6 MICHELLE BAILLIE**
General Manager
SKYCITY Hamilton
- 7 JONATHAN BROWNE**
General Manager
SKYCITY Queenstown
- 8 DAVID CHRISTIAN**
General Manager
SKYCITY Darwin
- 9 TONY MCNAMARA**
Acting General Manager
Adelaide Casino
- 10 EJAAZ DEAN**
President International Business
- 11 SIMON JAMIESON**
Group General Manager
New Zealand International Convention
Centre Development and Tourism

Financial statements and notes

For the year ended 30 June 2016







INDEPENDENT AUDITOR'S REPORT

to the shareholders of SKYCITY Entertainment Group Limited

Our opinion

In our opinion the consolidated financial statements of SKYCITY Entertainment Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

SKYCITY Entertainment Group Limited's consolidated financial statements comprise:

- the balance sheet as at 30 June 2016;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of accounting assistance, tax, and other advisory services. The provision of these other services has not impaired our independence as auditors of the Group.

Information other than the financial statements and auditor's report

The directors are responsible for the other information. The other information comprises the annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Leo Foliaki.

For and on behalf of:



Chartered Accountants
10 August 2016

Auckland

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

FOR THE YEAR ENDED 30 JUNE 2016	NOTES	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Total receipts including GST	3	1,131,526	1,036,966
Less non-gaming GST	3	(31,314)	(29,259)
Gaming win plus non-gaming revenue	3	1,100,212	1,007,707
Less gaming GST	3	(101,519)	(91,620)
Revenue	3	998,693	916,087
Other income	4	954	1,356
Employee benefits expense		(315,189)	(302,748)
Other expenses	5	(181,396)	(137,772)
Directors fees		(1,124)	(1,179)
Restructuring costs		(1,553)	(4,316)
Gaming taxes and levies		(60,212)	(56,676)
Direct consumables		(76,987)	(75,327)
Marketing and communications		(29,259)	(35,348)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		333,927	304,077
Depreciation and amortisation expense	5	(104,070)	(89,292)
Earnings before interest and tax (EBIT)		229,857	214,785
Net finance costs	8	(32,588)	(43,927)
Profit before income tax		197,269	170,858
Income tax expense	11	(51,597)	(42,114)
Profit for the year attributable to shareholders of the company		145,672	128,744
Earnings per share for profit attributable to the shareholders of the company	NOTES	CENTS	CENTS
Basic and diluted earnings per share	6	24.3	22.0

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

FOR THE YEAR ENDED 30 JUNE 2016	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Profit for the year	145,672	128,744
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of overseas subsidiaries	(22,952)	11,719
Cash flow hedges - revaluations	(16,833)	57,467
Cash flow hedges - transfer to finance costs	11,950	(60,272)
Cash flow hedges - income tax	1,256	768
Other comprehensive (expense)/income for the year, net of tax	(26,579)	9,682
Total comprehensive income for the year attributable to shareholders of the company	119,093	138,426

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



AS AT 30 JUNE 2016	NOTES	CONSOLIDATED	
		2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and bank balances	18	90,309	53,232
Receivables and prepayments	17	36,538	16,654
Derivative financial instruments	21	1,943	32
Inventories		7,705	8,362
Tax prepayment	12	6,915	45,227
Total current assets		143,410	123,507
Non-current assets			
Property, plant and equipment	15	1,223,062	1,174,248
Intangible assets	16	923,257	556,029
Derivative financial instruments	21	65,189	70,998
Tax prepayment	12	-	779
Total non-current assets		2,211,508	1,802,054
Total assets		2,354,918	1,925,561
LIABILITIES			
Current liabilities			
Payables	19	137,918	130,085
Interest-bearing liabilities	9	38,028	-
Derivative financial instruments	21	1,471	675
Total current liabilities		177,417	130,760
Non-current liabilities			
Interest-bearing liabilities	10	389,032	699,092
Provisions		4,125	3,739
Derivative financial instruments	21	38,218	33,513
Deferred tax liabilities	13	78,688	80,613
Deferred licence value	16	554,396	160,922
Total non-current liabilities		1,064,459	977,879
Total liabilities		1,241,876	1,108,639
Net assets		1,113,042	816,922
EQUITY			
Share capital	20	1,055,737	758,800
Reserves		(65,473)	(38,894)
Retained earnings		122,778	97,016
Total equity		1,113,042	816,922

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

STATEMENT OF CHANGES IN EQUITY



FOR THE YEAR ENDED 30 JUNE 2016	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
CONSOLIDATED						
Balance as at 1 July 2014		737,546	(8,766)	(39,810)	84,915	773,885
Total comprehensive income/(expense)		-	(2,037)	11,719	128,744	138,426
Dividends provided for or paid	7	-	-	-	(116,643)	(116,643)
Shares issued under dividend reinvestment plan		19,254	-	-	-	19,254
Share rights issued for employee service		1,245	-	-	-	1,245
Net purchase of treasury shares		755	-	-	-	755
Balance as at 30 June 2015		758,800	(10,803)	(28,091)	97,016	816,922
Balance as at 1 July 2015		758,800	(10,803)	(28,091)	97,016	816,922
Total comprehensive income/(expense)		-	(3,627)	(22,952)	145,672	119,093
Dividends provided for or paid	7	-	-	-	(119,910)	(119,910)
Shares issued under dividend reinvestment plan		39,352	-	-	-	39,352
Share rights issued for employee service		1,275	-	-	-	1,275
Net purchase of treasury shares		(375)	-	-	-	(375)
Issue of new share capital	20	256,685	-	-	-	256,685
Balance as at 30 June 2016		1,055,737	(14,430)	(51,043)	122,778	1,113,042

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



FOR THE YEAR ENDED 30 JUNE 2016	NOTES	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		978,683	918,251
Payments to suppliers and employees		(599,995)	(541,871)
		378,688	376,380
Gaming taxes and levies paid		(60,469)	(56,646)
Income taxes paid		(13,062)	(29,059)
Net cash inflow from operating activities	28	305,157	290,675
Cash flows from investing activities			
Purchase of/proceeds from property, plant and equipment		(147,955)	(106,310)
Payments for intangible assets		(8,562)	(5,724)
Net cash outflow from investing activities		(156,517)	(112,034)
Cash flows from financing activities			
Issue of new share capital	20	256,685	-
Cash flows associated with derivatives	21	2,839	4,839
New borrowings	10	125,000	128,074
Repayment of borrowings	10	(372,369)	(168,751)
Net purchase of treasury shares	20	(375)	755
Dividends paid to company shareholders	7	(80,558)	(97,389)
Interest paid		(42,785)	(46,989)
Net cash outflow from financing activities		(111,563)	(179,461)
Net increase / (decrease) in cash and bank balances		37,077	(820)
Cash and bank balances at the beginning of the year		53,232	54,052
Cash and cash equivalents at end of year	18	90,309	53,232

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 on 10 August 2016 by the board of directors.

In preparing these financial statements SKYCITY has adopted "streamlined" reporting. Streamlined reporting aims to present the financial statements in a more logical manner and eliminate unnecessary information. This approach is supported by the New Zealand Financial Markets Authority.

(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 negative working capital balance as US\$27 million of United States private placement notes matures in March 2017 (refer to note 9). The Group has significant available undrawn banking facilities totalling \$582 million as at 30 June 2016 (refer to note 10) 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 2016 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.

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 and indefinite useful life casino licences and valuation of the Auckland regulatory reforms.

The Group tests annually whether goodwill and indefinite useful life licences have suffered any impairment, in accordance with the accounting policy stated in note 16. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates.

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***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.

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) 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 financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Foreign Operations

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

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

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

(d) Goods and Services Tax (GST)

The Income Statement, Statement of Cash Flows 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.

(e) 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.

(f) 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.

(g) 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 2016 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 and not reflected in the Income Statement. 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 2016 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 2018). 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 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 from 1 July 2018 and is currently assessing its full impact.

• NZ IFRS 16, Leases

(Effective date: periods beginning on or after 1 January 2019). NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Included is an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, Revenue from Contracts with Customers. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

2 SEGMENT INFORMATION

Accounting policy

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.

(a) Primary reporting format - business segments

	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	ADELAIDE CASINO \$'000	SKYCITY DARWIN \$'000	INTER- NATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
2016							
Revenue from external customers and other income	507,021	59,370	152,993	117,872	162,391	-	999,647
Expenses	(255,862)	(34,826)	(125,001)	(80,779)	(125,052)	(44,200)	(665,720)
Depreciation and amortisation	(55,961)	(8,310)	(18,603)	(14,591)	-	(6,605)	(104,070)
Segment profit/EBIT	195,198	16,234	9,389	22,502	37,339	(50,805)	229,857
Net finance costs							(32,588)
Profit before income tax							197,269
Segment assets	1,139,778	60,337	465,962	336,931	-	351,910	2,354,918
Net additions to non-current assets (other than financial assets and deferred tax)	84,486	2,331	20,940	10,961	-	52,170	170,888
2015							
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
Net 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) Secondary reporting format - geographical segments

	SEGMENT REVENUES		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
New Zealand	672,522	602,074	1,385,937	914,156
Australia	326,171	314,013	760,382	816,900
	998,693	916,087	2,146,319	1,731,056

(c) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer 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, and excludes International Business customers.

Rest of New Zealand

Rest of New Zealand includes the Group's operations at SKYCITY Hamilton, SKYCITY Queenstown and SKYCITY Wharf, and excludes International Business customers.

Adelaide Casino

Adelaide Casino includes casino operations and food and beverage, and excludes International Business customers.

SKYCITY Darwin

SKYCITY Darwin includes casino operations, food and beverage and hotel, and excludes International Business customers.

International Business

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

Corporate/Group

Head office and group wide functions including legal and regulatory, group finance, human resources, information technology, innovation, the Chief Executive Officer's office and directors. The Group's interest in the New Zealand International Convention Centre is also included here.

3 REVENUE

Accounting policy

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.

	2016 \$'000	2015 \$'000
Total receipts including GST	1,131,526	1,036,966
Less non-gaming GST	(31,314)	(29,259)
Gaming win plus non-gaming revenue	1,100,212	1,007,707
Less gaming GST	(101,519)	(91,620)
Total revenue	998,693	916,087
Gaming	773,074	704,066
Non-gaming	225,619	212,021
Total revenue	998,693	916,087

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

4 OTHER INCOME

	2016 \$'000	2015 \$'000
Net gain on disposal of property, plant and equipment	944	1,348
Dividend income	10	8
	954	1,356

5 EXPENSES

	2016 \$'000	2015 \$'000
<i>Other expenses includes:</i>		
Utilities, insurance and rates	24,173	23,014
Community Trust donations	4,079	3,762
Other property expenses	14,673	14,023
Other items (including International Business commissions)	130,507	92,197
Minimum lease payments relating to operating leases	4,876	4,675
Provision for bad and doubtful debts	3,088	101
	181,396	137,772
<i>Depreciation and amortisation</i>		
Depreciation	91,467	78,909
Casino licence amortisation (Adelaide)	5,696	4,402
Computer software amortisation	6,907	5,981
Total depreciation and amortisation	104,070	89,292

Auditor's 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.

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 should be engaged wherever practical.

Tax advisory services relates to ad hoc queries covering a range of tax related matters.

	2016 \$'000	2015 \$'000
(a) Assurance services		
<i>Audit services</i>		
Group Audit	856	766
Total remuneration for audit services	856	766
<i>Other assurance services</i>		
Accounting advice and assistance	27	27
Tax compliance services	95	89
Total remuneration for other assurance services	122	116
Total remuneration for assurance services	978	882
(b) Other services		
Taxation advisory services	324	248
Executive benchmarking assistance	71	30
Total remuneration for taxation services	395	278
Total remuneration for all services	1,373	1,160

6 EARNINGS PER SHARE

Accounting policy

(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.

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

	2016 NUMBER	2015 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	598,489,211	586,071,258

7 DIVIDENDS

Accounting policy

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.

	2016 \$'000	2015 \$'000
Prior year final dividend	58,216	58,042
Current year interim dividend	61,694	58,601
Total dividends provided for or paid	119,910	116,643
Cents per share		
Prior year final dividend (per share)	10.0	10.0
Current year interim dividend (per share)	10.5	10.0

On 9 August 2016, the directors resolved to declare a final dividend of 10.5 cents per share in respect of the year ended 30 June 2016 (refer to note 29 for further details).

8 NET FINANCE COSTS

	2016 \$'000	2015 \$'000
Finance costs	43,501	49,421
Exchange (gains)/losses	(709)	(1,077)
Interest income	(1,529)	(2,324)
Capitalised interest (refer Property, Plant and Equipment note)	(8,675)	(2,093)
Net finance costs	32,588	43,927

9 CURRENT LIABILITIES - INTEREST-BEARING LIABILITIES

Accounting policy

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.

	2016 \$'000	2015 \$'000
United States private placement notes	38,028	-

Refer note 10 for details concerning the US private placement notes.

10 NON-CURRENT LIABILITIES - INTEREST-BEARING LIABILITIES

Accounting policy

Interest-bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest-bearing liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statements over the period of the borrowings using the effective interest method.

	2016 \$'000	2015 \$'000
Unsecured		
United States private placement notes	267,606	317,228
Syndicated bank facility	-	383,808
New Zealand bonds	125,000	-
Deferred funding expenses	(3,574)	(1,944)
Total non-current interest-bearing liabilities	389,032	699,092

(a) United States Private Placement (USPP) Notes

As at 30 June 2016, 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

Movements in the outstanding balance relate to foreign exchange rate movements.

The US dollar USPP notes have been hedged to New Zealand 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 21.

Fair value of USPP debt is estimated at NZ\$344.4 million compared to a carrying value of NZ\$305.6 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.

(b) Syndicated Bank Facility

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

As at 30 June 2016, 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

(c) New Zealand Bond

\$125 million of unsubordinated, unsecured, redeemable fixed rate bonds were issued on 28 September 2015 with a maturity of seven years.

The bonds are quoted on the NZDX. As at 30 June 2016, the closing price was \$1.04208 per \$1 bond. The bonds are carried at amortised cost. The total fair value is \$130.3 million and is a level 1 valuation as they are listed securities.

(d) Weighted average interest rate as at 30 June

	2016		2015	
	WEIGHTED AVERAGE INTEREST RATE	BALANCE \$'000	WEIGHTED AVERAGE INTEREST RATE	BALANCE \$'000
Interest-bearing liabilities*	6.61%	430,634	6.06%	701,036

*The weighted average debt interest rate includes the impact of interest rate hedging.

11 INCOME TAX EXPENSE

Accounting policy

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

Deferred 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.

	2016 \$'000	2015 \$'000
(a) Income Tax Expense		
Current tax	52,519	35,976
Deferred tax	(922)	6,138
Income tax expense	51,597	42,114

(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

Profit from continuing operations before income tax expense	197,269	170,858
Prima facie income tax @ 28%	55,235	47,840
Tax effects of:		
Expenses not deductible for tax purposes	959	165
Foreign exchange rate differences	(307)	(948)
Share of partnership expenditure	(6,549)	(7,045)
Differences in overseas tax rates	111	742
Non-deductible loss on disposal	2,106	-
Under provision in prior years	42	1,360
Income tax expense	51,597	42,114

The weighted average applicable tax rate was 26.2% (2015: 24.6%).

12 NET TAX PREPAYMENTS

	2016 \$'000	2015 \$'000
Tax prepayment - current	6,915	45,227
Tax prepayment - non-current	-	779
	6,915	46,006

Tax was previously paid in advance in New Zealand to ensure the Group had a positive imputation credit account balance as at 31 March of each year.

13 DEFERRED TAX LIABILITIES

	2016 \$'000	2015 \$'000
The balance comprises temporary differences attributable to:		
Provision and accruals	(15,747)	(18,358)
Depreciation	103,694	102,813
Foreign exchange differences	(3,387)	734
Other	(422)	(282)
Cash flow hedges	(5,450)	(4,294)
Net deferred tax liabilities	78,688	80,613
Movements:		
Balance at the beginning of the year	80,613	75,715
Charged to the income statement (note 11)	(922)	6,138
Debited to equity reserves	(1,256)	(768)
Foreign exchange differences	253	(472)
Closing balance at 30 June	78,688	80,613
Expected maturity of deferred tax liabilities		
Deferred tax to be settled within 12 months	(27,672)	(25,360)
Deferred tax to be settled after more than 12 months	106,360	105,973
	78,688	80,613

14 IMPUTATION AND FRANKING CREDITS

	2016 \$'000	2015 \$'000
Balances available for use in subsequent reporting periods		
Imputation credit account (New Zealand)	15,534	14,966
Franking credit account (Australia)	6,106	3,915

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2016.

15 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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.

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 fitout	5–75 years
Plant, equipment and motor vehicles	2–75 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.

	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT, EQUIPMENT AND MOTOR VEHICLES \$'000	FIXTURES AND FITTINGS \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
CONSOLIDATED						
At 1 July 2014						
Cost	189,607	913,655	383,063	112,352	125,870	1,724,547
Accumulated depreciation	-	(252,464)	(265,531)	(64,605)	-	(582,600)
Net book amount	189,607	661,191	117,532	47,747	125,870	1,141,947
Year ended 30 June 2015						
Opening net book amount	189,607	661,191	117,532	47,747	125,870	1,141,947
Exchange differences	1,318	8,402	1,875	528	1,728	13,851
Net additions/transfers	787	33,620	38,154	14,295	10,503	97,359
Depreciation charge	-	(27,359)	(40,718)	(10,832)	-	(78,909)
Closing net book amount	191,712	675,854	116,843	51,738	138,101	1,174,248
At 30 June 2015						
Cost	191,712	956,334	401,285	124,221	138,101	1,811,653
Accumulated depreciation	-	(280,480)	(284,442)	(72,483)	-	(637,405)
Net book amount	191,712	675,854	116,843	51,738	138,101	1,174,248
Year ended 30 June 2016						
Opening net book amount	191,712	675,854	116,843	51,738	138,101	1,174,248
Exchange differences	(1,941)	(12,908)	(3,124)	(996)	(3,077)	(22,046)
Net additions/transfers	-	44,498	61,956	12,410	43,463	162,327
Depreciation charge	-	(38,769)	(40,864)	(11,834)	-	(91,467)
Closing net book amount	189,771	668,675	134,811	51,318	178,487	1,223,062
At 30 June 2016						
Cost	189,771	962,623	384,212	121,093	178,487	1,836,186
Accumulated depreciation	-	(293,948)	(249,401)	(69,775)	-	(613,124)
Net book amount	189,771	668,675	134,811	51,318	178,487	1,223,062

(a) Capitalised borrowing costs

Borrowing costs of \$8,674,989 have been capitalised in the current year relating to capital projects (2015: \$2,092,270) using the Group's weighted average cost of debt of 6.03% (2015: 6.71%).

(b) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities was \$477.6 million (2015: \$10.5 million). The majority of the 2016 capital commitment relates to the construction of the New Zealand International Convention Centre and the Hobson Street hotel.

(c) Encumbrances

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.

There are four encumbrances relating to the NZICC site land. One encumbrance projects the rights of the Crown under the NZICC Project and Licensing Agreement, two relate to firewalls between buildings that have now been demolished and the final encumbrance protects the underground vehicle entrance to the car park on the main Auckland casino site. The NZICC site land is also subject to a covenant in favour of the Crown which restricts the subdivision and use of the site to that permitted under the NZICC Project and Licensing Agreement.

16 INTANGIBLE ASSETS

Accounting policy

(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.

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.

Judgement is exercised in determining whether a casino licence has a finite or indefinite useful life. Consideration is given to the terms and conditions of the relevant licence and in particular the renewal terms.

(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).

	GOODWILL \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	TOTAL \$'000
At 1 July 2014				
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
Movements in the year ended 30 June 2015				
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
At 30 June 2015				
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
Movements in the year ended 30 June 2016				
Exchange differences	(7,298)	(26,081)	(352)	(33,731)
Additions	-	405,000	8,562	413,562
Amortisation charge	-	(5,696)	(6,907)	(12,603)
Closing net book amount	134,938	761,341	26,978	923,257
At 30 June 2016				
Cost	134,938	805,818	86,670	1,027,426
Accumulated amortisation	-	(44,477)	(59,692)	(104,169)
Net book amount	134,938	761,341	26,978	923,257



Casino Licence**Contract Term**

SKYCITY
Auckland Casino
(indefinite useful life)

SKYCITY Auckland Limited holds a Casino Premises Licence for the Auckland premises. The Casino Premises Licence was for an initial 25-year term from 2 February 1996.

The initial licence was granted in 1996 for nil consideration, and hence there was no associated initial carrying value.

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 (“Agreement”), the initial term of the licence was extended to 30 June 2048 on 11 November 2015. This was the date the Company executed a building works contract with The Fletcher Construction Company Limited to construct the NZICC.

In addition to the licence extension, the Casino Premises Licence was amended to (a) permit the implementation of account based cashless gaming and ticket in ticket out (“TITO”) gaming systems; (b) permit an increase in the number of gaming machines, gaming tables and automated table games; and (c) implement various other operational improvements. Under the Agreement, the Company has agreed to construct the NZICC for a total cost of at least \$430 million.

The reforms (a to c above) are exclusive to the Group and were recorded at fair value based on the estimated incremental benefit over the life of the reforms. The fair value has been determined using a discounted cash flow model falling within level 3 of the fair value hierarchy over the life of the reforms.

Key assumptions used in determining the fair value are as follows:

- A discount rate of 9.5% pre tax
- An additional 230 single terminal gaming machines
- An additional 40 gaming tables
- An additional 12 gaming tables that can each be substituted for 20 additional automated table game terminals
- The introduction of TITO and cashless gaming
- Up to 359 gaming machines being permitted to accept bank notes with a denomination up to \$100
- Operating margins (net of labour costs, direct costs, comps/commissions and marketing) are calculated based on an internal view of the structural changes to the cost base required to support the incremental revenue

The assumptions underpinning the model are inherently uncertain and require the exercise of significant judgement about the future expected benefits of the reforms to the Group.

The asset will not be amortised but will be reviewed for impairment annually.

The carrying value of the casino licence is \$405.0 million (FY15: nil).

Adelaide Casino
(finite useful life)

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.

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 in relevant areas; (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 to the South Australian Government and agreed to undertake a casino expansion and hotel development project.

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.

The carrying value of the casino licence is A\$304.0 million (FY15: A\$309.2 million).

SKYCITY
Darwin Casino
(indefinite useful life)

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\$31.7 million (FY15: A\$31.7 million).

SKYCITY
Hamilton Casino
(indefinite useful life)

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
(indefinite useful life)

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)
(indefinite useful life)

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 which arose on SKYCITY's acquisition of Otago Casinos Limited is \$4.4 million (FY15: \$4.4 million).

The asset is not amortised but will be reviewed for impairment annually.

The Deferred Licence Value relating to Auckland (\$405.0 million) and Adelaide (NZ\$149.4 million, FY15: NZ\$160.9 million) included within non-current liabilities will be transferred and offset against property, plant and equipment when the New Zealand International Convention Centre and Adelaide redevelopment, respectively, have been completed. During the current year A\$0.5 million of Deferred Licence Value associated with Adelaide was transferred to Adelaide property, plant and equipment, the remaining movement in the Adelaide balance related to exchange differences.

(a) Impairment Tests for Intangibles with Indefinite Lives

	SKYCITY AUCKLAND \$'000	OTAGO CASINOS LIMITED* \$'000	SKYCITY HAMILTON* \$'000	SKYCITY DARWIN \$'000	TOTAL \$'000
2016					
Goodwill	-	-	35,786	99,152	134,938
Casino Licence	405,000	4,391	-	33,262	442,653
Total	405,000	4,391	35,786	132,414	577,591
2015					
Goodwill	-	-	35,786	106,450	142,236
Casino Licence	-	4,391	-	35,710	40,101
Total	-	4,391	35,786	142,160	182,337

The recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use cash flow projections approved by directors. 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 2.

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

	EBITDA MARGIN		GROWTH RATE		DISCOUNT RATE	
	2016	2015	2016	2015	2016	2015
SKYCITY Auckland	41.4%	-	2.0%	-	9.5%	-
SKYCITY Hamilton	42.6%	39.3%	2.0%	2.0%	9.5%	9.5%
SKYCITY Darwin	28.1%	28.3%	2.0%	3.0%	9.5%	9.5%

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.

17 RECEIVABLES AND PREPAYMENTS**Accounting policy**

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

	2016 \$'000	2015 \$'000
Trade receivables (net)	30,627	10,226
Sundry receivables	5,911	6,428
	36,538	16,654

Due to the short term nature of these receivables, their carrying value is assumed to be equal to their fair value.



18 CASH AND BANK BALANCES

	2016 \$'000	2015 \$'000
Cash at bank	40,358	12,302
Cash in-house	49,951	40,930
	90,309	53,232

19 PAYABLES

Accounting policy

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

	2016 \$'000	2015 \$'000
Trade payables	23,789	20,125
Deferred income	2,075	2,174
Accrued expenses	65,322	59,869
Employee benefits	46,732	47,917
	137,918	130,085

20 SHARE CAPITAL

	2016 SHARES	2015 SHARES	2016 \$'000	2015 \$'000
Opening balance of ordinary shares issued	587,472,741	582,088,094	758,800	737,546
Issue of new share capital	59,720,271	-	256,685	-
Share rights issued for employee services	-	-	1,275	1,245
Employee share entitlements issued	979,177	76,617	-	-
Treasury shares issued	(979,177)	(76,617)	-	-
Net issue/(purchase) of treasury shares	-	-	(375)	755
Shares issued under dividend reinvestment plan	9,793,749	5,384,647	39,352	19,254
Closing balance of ordinary shares issued	656,986,761	587,472,741	1,055,737	758,800

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

Included within the number of shares is 5,720,530 treasury shares (2015: 6,699,707) 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 23). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

During May and June 2016 the company completed a 1 for 10 entitlement offer of ordinary shares. This offer raised net proceeds of \$256.7 million (gross proceeds of \$262.8 million less transaction costs of \$6.1 million).

21 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at 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:

- (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (2) hedges of exposures to variability in cash flows associated with recognised assets or liabilities or highly probable forecast transactions (cash flow hedges).

(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).

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.

	2016 \$'000	2015 \$'000
Current assets		
Cross-currency interest rate swaps cash flow hedges	1,492	-
Forward foreign exchange contracts	451	32
Total current derivative financial instrument assets	1,943	32
Non-current assets		
Cross-currency interest rate swaps - cash flow hedges	65,189	70,998
Total non-current derivative financial instrument assets	65,189	70,998
Current liabilities		
Forward foreign currency contracts	176	327
Interest rate swaps - cash flow hedges	1,295	348
Total current derivative financial instrument liabilities	1,471	675
Non-current liabilities		
Interest rate swaps - cash flow hedges	38,218	33,513
Total non-current derivative financial instrument liabilities	38,218	33,513

22 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 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 investment in its Australian operations. Exposure to the US dollar arises from funding denominated in that currency.

The Group utilises natural hedges wherever possible 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 private placement notes detailed in note 10) 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 risk arises 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.

(iii) Summarised sensitivity analysis

SKYCITY manages its interest rate and foreign exchange rate exposure to minimise the impact of fluctuations in the market. The residual exposure is not considered material or significant.

(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 from International Business activity.

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 Business activity is managed in accordance with accepted industry practice. Settlement risk associated with International Business customers 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

Debt maturities are detailed in note 10.

(d) Fair value estimation

The financial instruments 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).

All SKYCITY financial instruments, which includes cross-currency interest rate swaps, interest rate swaps and forward foreign currency contracts, are valued using level two in the above fair value measurement hierarchy.

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 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.

Further details on derivatives are provided in note 21.

(e) 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 measured as a ratio 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:

	2016	2015
Gearing ratio	1.1 x	2.1 x
Interest coverage	7.9 x	7.8 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing as at 30 June 2016 was within covenant limits on funding facilities.

The Group does not have any externally imposed capital requirements.

23 SHARE-BASED PAYMENTS

Accounting policy

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

2013 Chief Executive Officer and 2009 Executive Long Term Incentive Plans

Under these plans, executives purchase SKYCITY shares funded by an interest-free loan from a subsidiary of the company. 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 2016, the interest-free loan on the CEO Long Term Incentive Plan is nil (2015: \$4,709,538) and the interest-free loans on the Executive Long Term Incentive Plan total \$9,155,468 (2015: \$11,051,650).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	CONVERTED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER
2016						
31/08/11	31/08/15	545,200	-	-	(545,200)	-
29/08/12	29/08/16	667,300	-	-	(267,200)	400,100
28/08/13	28/08/17	2,398,008	-	(979,177)	(600,081)	818,750
27/08/14	27/08/18	880,000	-	-	(100,000)	780,000
26/08/15	28/08/19	-	620,000	-	-	620,000
Total		4,490,508	620,000	(979,177)	(1,512,481)	2,618,850
2015						
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
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

The weighted average remaining contractual life of options and rights outstanding at the end of the period was 1.79 years (2015: 1.97 years).

Fair value of share rights granted

The assessed fair value at grant date of the rights granted on 26 August 2015 was \$1.10 (27 August 2014 was \$1.00). This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 26 August 2015 included:

- (a) rights are granted for no consideration
- (b) exercise price: nil (2015: nil)
- (c) share price at grant date: \$4.05 (2015: \$3.75)

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 follows:

	2016 \$'000	2015 \$'000
Rights issued under Share Rights Plans	1,275	1,245

24 RELATED PARTY TRANSACTIONS

There are no bad or doubtful debts associated with any related party of the Group (2015: nil).

(a) Key management personnel compensation

Key management compensation is set out below. The key management personnel are all the directors of the company, the Chief Executive Officer, the Interim Chief Executive Officer and the key direct reports to the Chief Executive Officer with a group wide role.

	SHORT-TERM BENEFITS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2016	12,191	900	13,091
2015	8,928	792	9,720

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

Certain directors and management 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, and a register of directors' interests is maintained. 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 25.

25 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(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	
			2016	2015
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 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 Australian 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%
Horizon Tourism Limited	Hong Kong	Ordinary	100%	-
SKYCITY Investment Holdings Limited	Hong Kong	Ordinary	100%	100%

26 CONTINGENCIES

There are no significant contingencies at year end (2015: nil).

27 COMMITMENTS

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:

	2016 \$'000	2015 \$'000
Within one year	4,923	7,472
Later than one year but not later than five years	14,110	18,023
Later than five years	288,822	309,902
Commitments not recognised in the financial statements	307,855	335,397

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

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

	2016 \$'000	2015 \$'000
Profit for the year	145,672	128,744
Depreciation and amortisation	104,070	89,292
Finance costs net	32,588	43,927
Current period employee share expense	1,275	1,245
Gain on sale of fixed assets	(944)	(1,348)
Change in operating assets and liabilities		
Change in receivables and prepayments	(19,884)	2,156
Change in inventories	657	(491)
Change in payables	7,833	10,585
Change in deferred tax liability	(1,925)	4,898
Change in tax receivable - current	38,312	8,335
Change in provisions	386	3,739
Change in tax receivable - term	779	-
Capital items included in working capital movements	(3,662)	(407)
Net cash inflow from operating activities	305,157	290,675

29 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Dividend

On 9 August 2016, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2016. The 50% imputed, unfranked dividend of 10.5 cents per share will be paid on 16 September 2016 to all shareholders on the company's register at the close of business on 2 September 2016.



RECONCILIATION OF NORMALISED RESULTS TO REPORTED RESULTS



	2016				2015			
	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M
Normalised	1,084.1	330.1	236.4	152.7	1,007.7	304.9	216.4	134.1
International Business at Theoretical	17.1	3.9	3.9	2.8	1.3	3.5	3.5	2.3
International Business Adjustments	17.1	3.9	3.9	2.8	1.3	3.5	3.5	2.3
Adelaide redevelopment costs	-	-	-	-	-	(1.7)	(1.7)	(1.2)
NZICC interest and other costs	-	-	-	-	-	(0.6)	(0.6)	(4.6)
Asset write-offs	-	-	(10.4)	(9.8)	-	-	-	-
Darwin pre-opening costs	-	-	-	-	-	(0.1)	(0.1)	(0.1)
Restructuring costs	-	-	-	-	-	(1.6)	(1.6)	(1.1)
Auckland project costs	-	-	-	-	-	(0.3)	(1.1)	(0.7)
Total Other Adjustments	-	-	(10.4)	(9.8)	-	(4.3)	(5.1)	(7.7)
Reported	1,101.2	333.9	229.9	145.7	1,009.1	304.1	214.8	128.7

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.

Total revenue shown is gaming win plus non-gaming revenue.

During 2016 the application of the Group's non-GAAP financial information policy was tightened to further restrict the number of adjustments between reported and normalised results.

2016 adjustments:

- Write-off of the Hamilton hotel project costs as this project is no longer proceeding (\$2.7 million of capitalised costs incurred over 2011 to 2014)
- Write-off of 101 Hobson Street and the Nelson Street Car Park to make way for the NZICC (\$7.6 million book value).

2015 adjustments:

- Adelaide redevelopment costs – structural redundancies and launch costs for new facilities (Sean's Kitchen and Madame Hanoi)
- NZICC – interest on purchase of NZICC land bank (calculated using the Group's average cost of debt of 6.7% on an average balance of \$85 million) and other costs specific to this project
- 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
- Darwin pre-opening costs – costs associated with launch of new facilities.

The actual win rate on International Business was 1.49% for 2016 (2015: 1.36%).

Corporate governance

Statement and other disclosures

For the year ended 30 June 2016





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 Governance section of the company's website at 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.

SKYCITY has taken advantage of recent changes to the ASX Listing Rules, which enable companies that are dual-listed on the ASX with a primary listing on a foreign exchange to comply with a limited set of ASX Listing Rules in addition to the rules of its home exchange, and changed its ASX listing category from a 'Standard Listing' to a 'Foreign Exempt Listing' effective from 7 January 2016. The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rest with the home exchange and the supervisory regulator in that jurisdiction.

As a company with ASX Foreign Exempt Listing status, SKYCITY is not required to comply with ASX Listing Rule 4.10, which requires entities to include certain prescribed information in their annual reports, or the Corporate Governance Principles and Recommendations (Third Edition) of the ASX Corporate Governance Council. Notwithstanding, SKYCITY has included all the information required under ASX Listing Rule 4.10 in this annual report and followed a majority of the recommendations set by the ASX Corporate Governance Council, in addition to all the corporate governance principles set out in the NZX's Corporate Governance Best Practice Code, during the financial year ended 30 June 2016. In addition, as mentioned above, the cornerstone principles set out in SKYCITY's Board Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) continue to reflect the principles in the Corporate Governance Principles and Recommendations (Third Edition) of the ASX Corporate Governance Council.

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 detail 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 2016, the board comprised six non-executive directors. Biographical details of individual directors are set out on page 23 of this annual report.

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 page 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 Governance section of the company's website at 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 2016 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.

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 page 23 of this annual report and in the People section of the company's website at 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 Governance section of the company's website at 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 2016. Seven board meetings were scheduled during the year.

	APPOINTMENT TO OFFICE	BOARD SCHEDULED	BOARD UNSCHEDULED	BOARD TOTAL	AUDIT AND FINANCIAL RISK	REMUNERATION AND HUMAN RESOURCES	GOVERNANCE AND NOMINATIONS	CORPORATE SOCIAL RESPONSIBILITY
NUMBER OF MEETINGS HELD		7	4	11	3	5	1	3
Chris Moller	18 December 2008	7	4	11	3	5	1	3
Bruce Carter	12 October 2010	6	4	10	3	-	-	-
Brent Harman	18 December 2008	7	4	11	-	5	1	-
Peter Cullinane ⁽¹⁾	26 March 2008	2	2	4	-	-	-	1
Sue Suckling	9 May 2011	7	2	9	-	5	1	2
Richard Didsbury	20 July 2012	7	4	11	-	-	1	3
Richard Tsiang	17 December 2014	7	4	11	3	-	1	-
Nigel Morrison ⁽²⁾	18 December 2008	5	4	9	-	-	-	-

(1) Peter Cullinane retired as a director effective from 13 November 2015.

(2) Nigel Morrison resigned as Managing Director and Chief Executive Officer effective from 29 April 2016.

3. INTEGRITY, ETHICAL BEHAVIOUR AND DIVERSITY

For SKYCITY, it is important to be a good corporate citizen, whilst operating a sustainable and successful business model. SKYCITY expects its board, management and employees to act in accordance with the company's values, policies and legal obligations and actively promotes ethical and responsible behaviour and decision-making by:

- clarifying and promoting observance of its guiding values; and
- 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.

Training and information on the company's values, policies and legal obligations are provided to all employees on induction and continually throughout their time at SKYCITY.

Corporate Social Responsibility

To help the company define its responsibilities and the effectiveness of its activities, SKYCITY maintains operational supervision of its Corporate Social Responsibility (CSR) activities through management as well as governance-level oversight through the board's Corporate Social Responsibility Committee. This Committee directs all the company's commitment to care activities and is responsible for developing and maintaining SKYCITY's CSR policies.

The Corporate Social Responsibility Committee focuses on the five pillars of the company's CSR strategy, being: responsible gaming, the environment, fair operating practices, labour practices and human rights, and community involvement and development.

The guiding principles that underpin SKYCITY's CSR activities are set out in the Corporate Social Responsibility Committee Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) and are as follows:

- **Accountability:** SKYCITY is accountable for its impacts on society, the economy and the environment;
- **Transparency:** SKYCITY will be transparent in its decisions and activities that impact on society, the economy and the environment;
- **Ethical behaviour:** SKYCITY will behave ethically;
- **Respect for stakeholder interests:** SKYCITY will respect, consider and respond to the interests of its stakeholders;
- **Respect for the Rule of Law:** SKYCITY will accept that respect for the rule of law is mandatory;
- **Respect for international norms of behaviour:** SKYCITY will respect international norms of behaviour, while adhering to the principle of respect for the rule of law; and
- **Respect for human rights:** SKYCITY will respect human rights and recognise both their importance and their universality.

Further details of SKYCITY's CSR activities are included on pages 14 and 15 of this annual report.

Code of Business Practice

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 Governance section of the company's website at 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.

Compliance with the Code of Business Practice is monitored through education and notification by individuals who become aware of any breach. In addition, all senior managers are required annually to provide a confirmation to the company that to the best of their knowledge all business matters undertaken within their areas of responsibility have been conducted in accordance with the Code of Business Practice.

Trading in Securities

The company maintains a Securities Trading Policy (available in the Governance section of the company's website at 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 Listing Rules and formally disclose their SKYCITY shareholdings and other securities holdings to the NZX and, consequently, ASX within prescribed timeframes.

Conflicts of Interest

SKYCITY expects its directors and employees to avoid conflicts of interest in their decisions and to avoid any direct or indirect interest, investment, association, or relationship which is likely to, or appears to, interfere with the exercise of their independent judgement.

Where conflicts of interest may arise (or where potential conflicts of interest may arise), directors must formally advise the company or, in the case of an employee, their manager about any matter relating to that conflict (or potential conflict) of interest.

Gaming Prohibition

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

Diversity and Inclusion

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 Governance section of the company’s website at 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 2015/2016 financial year (as reported in the company’s 2015 annual report) as follows:

OBJECTIVE

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

PROGRESS MADE

40% of senior management roles recruited for in the past financial 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 during the past financial year explicitly specified that SKYCITY required female candidates to be identified wherever possible.

Several significant female appointments have been made during the past financial year, including the Chief Innovation Officer, Group General Manager Project Management, Group General Manager Risk and Group General Manager Human Resources.

OBJECTIVE

Conduct a detailed review of staff engagement by diversity group (age, gender, ethnicity and Rainbow) and identify initiatives to further improve staff inclusion.

PROGRESS MADE

A detailed review of staff engagement by diversity group was completed during the past financial year with the analysis showing little overall variation for any single group. However, Maori and Chinese staff did indicate some concerns with their ability to progress their careers within SKYCITY. Consequently, SKYCITY intends to introduce more targeted development programmes in the current financial year.

OBJECTIVE

Monitor the participation of under-represented groups in our leadership training and talent programmes.

PROGRESS MADE

During the past financial year, 133 staff attended one or more of the internal leadership modules - 83 (62%) of whom were male and 50 (38%) of whom were female.

Michelle Baillie, General Manager SKYCITY Hamilton, graduated from the 2015 Breakthrough Leaders Programme facilitated by New Zealand Global Women.

The measurable objectives for the 2016/2017 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;
- in New Zealand, obtain Rainbow Tick certification for both SKYCITY Hamilton and SKYCITY Queenstown and retain Rainbow Tick certification for SKYCITY Auckland and, in Australia, consider appropriate options to reiterate our commitment to all staff;

- actively encourage and report on the participation of under-represented groups in our leadership training and talent programmes;
- deliver targeted programmes that support staff from under-represented groups to thrive and develop at SKYCITY; and
- review gender pay equality and deliver an organisation-wide programme to remove risk of bias and inequity.

As at 30 June 2016, the gender composition of the company's directors, senior executives, officers and total workforce was as follows:

	FEMALE		MALE		TOTAL
	NUMBER	%	NUMBER	%	
Directors	1	17%	5	83%	6
Senior Executives	2	29%	5	71%	7
Officers	2	29%	5	71%	7
Total Workforce	2,726	48%	3,003	52%	5,729

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

	FEMALE		MALE		TOTAL
	NUMBER	%	NUMBER	%	
Directors	1	13%	7	87%	8
Senior Executives	2	17%	10	83%	12
Officers	1	9%	10	91%	11
Total Workforce	2,940	47%	3,312	53%	6,252

In the above tables:

- 'senior executives' includes employees who are the Chief Executive Officer's or Interim Chief Executive Officer's (as the case may be) executive direct reports and site General Managers; and
- 'officers' includes employees who are the Chief Executive Officer or Interim Chief Executive Officer (as the case may be) and his executive 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 2015/2016 financial year are set out in note 5 to the financial statements. Fees for audit and tax compliance work in the 2015/2016 financial year represent 69% 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 Governance section of the company's website at 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;
- posting stock exchange announcements in the Investor Centre section of the company's website promptly after they have been disclosed to the market;
- 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.

SKYCITY maintains an independent, centrally-managed risk assurance 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 2016.

The Audit and Financial Risk Committee approves the risk assurance 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 financial 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 Interim Chief Executive Officer and the Chief Financial Officer in August 2016.

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 the 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 has mitigated this risk by entering into the New Zealand International Convention Centre Project and Licensing Agreement dated 5 July 2013 with the New Zealand Government, which has secured an extension of the Auckland casino licence to 30 June 2048.

8. PERFORMANCE EVALUATION

Evaluation of Board and its Committees

The board and committee charters require an evaluation of the board and its committees' 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.

In 2016, the board determined that it was appropriate for an independent facilitated evaluation process to be undertaken by an international facilitator with significant experience in board evaluations. The key areas of focus for evaluation were:

- SKYCITY's strategic agenda/growth opportunities;
- working with management;
- board teamwork/dynamics; and
- board structure, composition, committees and processes.

The aims of the review were to be forward looking, yet self-reflective where it could provide a basis for future improvement, and also to inform the subsequent (but ongoing) non-executive director recruitment process. As part of the evaluation, the facilitator met on a one-on-one basis with each director and relevant senior managers.

The findings of the review were discussed at the board's February 2016 meeting with the facilitator in attendance. Overall, the external review found that the board was fully engaged and effective, but identified some areas where improvements could be made.

Evaluation of Senior Management

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. In the case of the Chief Executive Officer, the review generally involves a formal response/feedback process at both the half-year and full year. In the case of each senior executive, the review involves a formal response/feedback process between the Chief Executive Officer and each senior executive.

9. REMUNERATE FAIRLY AND RESPONSIBLY

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 Governance section of the company's website at 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 Governance section of the company's website at 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.

During the financial year ended 30 June 2016, there were no material changes to SKYCITY's remuneration policies.

A. Remuneration of Non-Executive Directors and Group Executives

This section details the company's approach to remuneration frameworks, outcomes and performance for the following non-executive directors and group executives for the financial year ended 30 June 2016:

NAME	POSITION	TERM
Non-Executive Directors		
Chris Moller	Chairman	Full Year
Bruce Carter	Deputy Chairman	Full Year
Richard Didsbury	Director	Full Year
Brent Harman	Director	Full Year
Sue Suckling	Director	Full Year
Richard Tsiang	Director	Full Year
Former Non-Executive Director		
Peter Cullinane	Director	Part Year
Group Executives		
John Mortensen	Interim Chief Executive Officer	Part Year
	Chief Operating Officer, New Zealand	Part Year
Rob Hamilton	Chief Financial Officer	Full Year
Peter Treacy	General Counsel and Chief Risk Officer	Full Year
Gráinne Troute	General Manager Corporate Services	Full Year
Former Group Executive		
Nigel Morrison	Chief Executive Officer	Part Year

The following key changes to the board and senior executive team occurred during the financial year ended 30 June 2016:

Peter Cullinane	Retired as a director effective from 13 November 2015
Nigel Morrison	Resigned as Managing Director and Chief Executive Officer effective from 29 April 2016
John Mortensen	Appointed as Interim Chief Executive Officer effective from 30 April 2016

Non-Executive Directors

Shareholders at the annual meeting determine the total remuneration available to the company's 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 2016:

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

The company's Policy on Non-Executive Director Remuneration (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) sets out a framework for SKYCITY to attract and retain qualified, highly capable directors from a pan-Australasian talent pool for the purpose of driving value and maintaining the highest standards of corporate governance on behalf of shareholders. The Policy is reviewed annually to take account of changing market, industry and economic circumstances as well as developing organisational requirements. The guiding principles that underpin the Policy are that:

- non-executive director remuneration will be regularly benchmarked against external comparator markets to ensure it is broadly in line with that payable in other large publicly-listed companies in Australasia; and
- the incremental accountability and commitment that accompanies specific roles will be recognised in the company's non-executive director remuneration structure.

The Remuneration and Human Resources Committee is responsible for making recommendations to the board annually on non-executive director remuneration changes. The board seeks shareholder approval for any proposed increase to the total remuneration pool, but may not seek such approval more regularly than every two years under the Policy on Non-Executive Director Remuneration. The board considered the current total remuneration pool at its April 2016 meeting and determined that the current pool remained adequate.

In addition to directors' fees, non-executive directors may also receive remuneration for additional services provided to the company outside of their capacities as directors of the company at the discretion of the board

and subject to the maximum remuneration amount which has been approved by the shareholders of the company.

Details of the total remuneration paid to, and other benefits received by, non-executive directors during the financial year ended 30 June 2016 are set out on page 80 of this annual report.

Group Executives

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 for each group executive comprise both fixed and variable remuneration, with the variable portion comprising both short term incentive at-risk remuneration (STI) and long term incentive at-risk remuneration (LTI).

The STI component for each group executive is based on performance against both 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 each group executive 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 and, 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 for each group executive and the Remuneration and Human Resources Committee approves remuneration increases for the group executives.

Short Term Incentive Remuneration

70% of each group executive’s STI is based on the company’s financial performance. In the case of each group executive (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 2016. For John Mortensen, eligibility for this element is based on achievement of budgeted EBITDA (earnings before interest, taxes, depreciation and amortisation) for the company’s New Zealand operations, excluding International Business and overheads, for the financial year ended 30 June 2016.

The remaining 30% of each group executive’s STI is based on the achievement of a small number of personal goals that are agreed with each individual 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

other group executives are aligned to those set for the Chief Executive Officer but may include specific personal objectives. For each group executive there is an STI eligibility “gateway” related to meeting or exceeding the prior year’s financial performance.

The former Chief Executive Officer had an STI target of 105% of his fixed remuneration. Each of the other group executives has an STI target of 40% of their fixed remuneration and a maximum STI potential of 54% of their fixed remuneration.

Each group executive receives their STI (in cash) each year following completion of the external audit of the company’s year-end results.

Long Term Incentive Remuneration

The company operated three LTI plans during the financial year ended 30 June 2016 – one for the former Chief Executive Officer (which was approved by shareholders in 2013) and the remaining two for the company’s most senior executives, including the other group executives outlined above.

The 2013 SKYCITY Chief Executive Officer LTI Plan is no longer in operation following Nigel Morrison’s resignation (effective from 29 April 2016). Details of the shares that vested to Mr Morrison under the 2013 SKYCITY Chief Executive Officer LTI Plan during the financial year ended 30 June 2016 are detailed below.

Details of the SKYCITY Senior Executive LTI Plan and SKYCITY Executive Cash Award Plan are included on page 74 of this annual report.

Chief Executive Officer Remuneration

Nigel Morrison resigned as Managing Director and Chief Executive Officer effective from 29 April 2016. His employment agreement, which commenced on 1 March 2008, was not a fixed term contract and provided for a fixed base salary of \$1,957,900 gross per annum and an STI component with a target of 105% of his base salary (being \$2,055,795 gross) for the 2015/2016 financial year.

During the financial year ended 30 June 2016, he received a fixed salary of \$1,656,282 gross and an STI payment of \$2,055,795 gross based on full achievement of his financial (70%) and non-financial (30%) KPIs. The financial KPI was based on achievement of the company’s budgeted NPAT. Achievement of the non-financial KPIs required the SKYCITY board to be satisfied that Mr Morrison had met the pre-agreed progress milestones in relation to the NZICC and Hobson Street hotel projects, the Adelaide Casino redevelopment project, a plan of the options for funding all three major development projects and a digital and innovation strategy.

Immediately prior to Mr Morrison’s resignation, a total of 1,279,258 shares were outstanding under the 2013 SKYCITY Chief Executive Officer LTI Plan (approved by shareholders in 2013) and held by Public Trust on behalf of Nigel Morrison. The shares had been purchased by Mr Morrison under the Plan with the assistance of an interest-free loan and were held on his behalf by Public Trust. On 29 April 2016, 729,177 (57%) of those shares vested to Mr Morrison

under the terms of the Plan on the basis of performance testing and an additional 250,000 (20%) shares were vested to him under the terms of the Plan in consideration of him agreeing to extend his restraint of trade, with the remaining 300,081 (23%) shares being forfeited by him in accordance with the terms of the Plan.

In addition to the above payments and payment of outstanding annual leave of \$96,915 gross, Mr Morrison also received \$2,321,096 gross on resignation – comprising 12 months' base salary of \$1,957,900 gross on the grounds that he was entitled to be paid six months' base salary in lieu of notice (\$978,950 gross) and an STI payment in respect of that notice period (\$978,950 gross) and \$363,196, which represented the dividends relating to his LTI shares, in accordance with the terms of the 2013 SKYCITY Chief Executive Officer LTI Plan.

B. Remuneration of SKYCITY Employees

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.

Senior Executive STI

For the financial year ended 30 June 2016, a total of \$2.16 million will be paid under the Senior Executive STI Plan to 10 senior executives (including the group executives outlined on page 72 other than the former Chief Executive Officer) – an amount equivalent to 47% of combined base salary for this group.

SKYCITY Senior Executive LTI Plan

Under the SKYCITY Senior Executive LTI Plan introduced in 2009, 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' median 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.

During the financial year ended 30 June 2016, the following vesting calculations were completed:

- **August 2011 LTI:** The third (and final) test was completed on 31 August 2015 with no shares vesting to executives. All unvested shares were accordingly forfeited in accordance with the terms of the SKYCITY Senior Executive LTI Plan; and
- **August 2012 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 2016 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.

Details of the shares issued under the SKYCITY Senior Executive LTI Plan and outstanding as at 1 August 2016 are detailed on page 85 of this annual report.

SKYCITY Executive Cash Award Plan

In February 2016, the company established the SKYCITY Executive Cash Award Plan in Australia. The objectives of the Plan are to promote the retention of the company's most senior executives in Australia and drive longer-term performance and alignment of incentives of participants with the interests of the company's shareholders. Grants made under the Plan support these objectives by conferring on selected senior executives the right to receive a cash amount (based on the market value of shares in SKYCITY) on the achievement of

performance hurdles, which mirror the performance hurdles for the SKYCITY Senior Executive LTI Plan as outlined above.

As at 1 August 2016, there were two participants in the SKYCITY Executive Cash Award Plan.

Salaried Employee STI and Individual Bonus Plans

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 2016, 346 salaried staff will participate in the Salaried STI Plan. Based on achievement of individual and financial targets, 345 staff will receive an average STI payment of 15% 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, for the financial year ended 30 June 2016, 525 SKYCITY salaried personnel will be paid incentives totalling \$8.36 million 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 Governance section of the company's website at 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 1 AUGUST 2016

	NUMBER OF SHARES	%
		OF SHARES
1. HSBC Nominees (New Zealand) Limited - NZCSD	56,960,679	8.67%
2. JP Morgan Nominees Australia Limited	52,521,340	7.99%
3. HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	42,680,009	6.50%
4. Citibank Nominees (New Zealand) Limited - NZCSD	42,642,567	6.49%
5. JP Morgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD	40,843,758	6.22%
6. HSBC Custody Nominees (Australia) Limited	39,529,001	6.02%
7. National Nominees New Zealand Limited - NZCSD	32,453,839	4.94%
8. National Nominees Limited	31,313,930	4.77%
9. RBC Investor Services Australia Nominees Pty Limited	21,214,702	3.23%
10. Accident Compensation Corporation - NZCSD	18,679,090	2.84%
11. BNP Paribas Noms Pty Limited	13,226,693	2.01%
12. Citicorp Nominees Pty Limited	11,218,390	1.71%
13. BNP Paribas Nominees (NZ) Limited - NZCSD	10,968,290	1.67%
14. ANZ Custodial Services New Zealand Limited - NZCSD	9,530,064	1.45%
15. UBS Nominees Pty Limited	9,222,513	1.40%
16. Citicorp Nominees Pty Limited	7,289,711	1.11%
17. HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	7,210,501	1.10%
18. ANZ Wholesale Australasian Share Fund - NZCSD	7,070,450	1.08%
19. FNZ Custodians Limited	5,480,112	0.83%
20. BNP Paribas Nominees (NZ) Limited - NZCSD	5,232,683	0.80%
Total	465,288,322	70.82%

Total ordinary shares on issue as at 1 August 2016 were 656,986,761 of which 5,720,530 were held in aggregate by Public Trust on behalf of eligible and future participants pursuant to the SKYCITY Executive Long Term Incentive Plan.

The ordinary shares are quoted on both the NZX Main Board and ASX under the ticker code 'SKC'.

No shares were held by the company directly as treasury stock.



DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 1 AUGUST 2016

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1-1,000	4,049	1,563,926
1,001-5,000	7,642	20,600,555
5,001-10,000	2,929	20,359,529
10,001-100,000	2,618	59,570,659
>100,000	170	554,892,092
Total	17,408	656,986,761

As at 1 August 2016, there were 907 shareholders (with a total of 32,698 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$4.81. 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 2016, 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
Lazard Asset Management Pacific Co	8 April 2016	30,240,033	5.064%

The total number of listed voting securities of SKYCITY Entertainment Group Limited as at 30 June 2016 was 656,986,761.

BONDS

On 28 September 2015, the company issued 125 million unsubordinated, unsecured, redeemable, fixed rate, seven year bonds at an issue price of \$1 per bond. The bonds pay a fixed rate of interest of 4.65% per annum until the maturity date and are quoted on the NZX Debt Market under the ticker code 'SKC040'.

TWENTY LARGEST REGISTERED BONDHOLDERS AS AT 1 AUGUST 2016

	NUMBER OF BONDS	%
	OF BONDS	OF BONDS
1. Investment Custodial Services Limited	14,993,000	11.99%
2. Forsyth Barr Custodians Limited	11,706,000	9.37%
3. FNZ Custodians Limited	11,567,000	9.25%
4. Custodial Services Limited	11,016,000	8.81%
5. ANZ Custodial Services New Zealand Limited - NZCSD	6,610,000	5.29%
6. Custodial Services Limited	5,062,000	4.05%
7. Custodial Services Limited	4,079,000	3.26%
8. ANZ Bank New Zealand Limited - NZCSD	3,280,000	2.62%
9. Custodial Services Limited	2,741,000	2.19%
10. Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	2,000,000	1.60%
11. Tappenden Holdings Limited	2,000,000	1.60%
12. Custodial Services Limited	1,805,000	1.44%
13. Forsyth Barr Custodians Limited	1,750,000	1.40%
14. Custodial Services Limited	1,487,000	1.19%
15. Forsyth Barr Custodians Limited	1,146,000	0.92%
16. JBWere (NZ) Nominees Limited	900,000	0.72%
17. Investment Custodial Services Limited	800,000	0.64%
18. BNP Paribas Nominees (NZ) Limited - NZCSD	755,000	0.60%
19. BGS Trustee Limited	750,000	0.60%
20. Citibank Nominees (New Zealand) Limited - NZCSD	600,000	0.48%
Total	85,047,000	68.04%

DISTRIBUTION OF BONDS AND REGISTERED HOLDINGS AS AT 1 AUGUST 2016

	NUMBER OF BONDHOLDERS	NUMBER OF BONDS
1,001-5,000	91	455,000
5,001-10,000	229	2,213,000
10,001-100,000	750	26,302,000
>100,000	71	96,030,000
Total	1,141	125,000,000



REMUNERATION OF DIRECTORS

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 2016 are as listed below:

	BOARD AND COMMITTEE FEES	OTHER
Chris Moller (Chairman)	\$275,000.00	
Bruce Carter (Deputy Chairman)	\$192,500.00	
Brent Harman	\$161,000.00	\$3,511.17 ⁽¹⁾
Peter Cullinane ⁽²⁾	\$56,625.00	
Sue Suckling	\$156,625.00	\$1,755.76 ⁽¹⁾
Richard Didsbury	\$141,000.00	
Richard Tsiang	\$141,000.00	

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

(1) 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).

(2) Peter Cullinane retired as a director effective from 13 November 2015.

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 a total of \$34,800 (plus GST) to Richard Didsbury during the financial year ended 30 June 2016 in connection with consultancy services provided by him in relation to the New Zealand International Convention Centre development and Adelaide Casino redevelopment projects, which were provided as additional services outside of his capacity as a director of the company.

Nigel Morrison was Managing Director and Chief Executive Officer of the company until 29 April 2016. 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 2016 are detailed on pages 73 and 74 of this annual report.

EMPLOYEE REMUNERATION

The numbers of employees or former employees (excluding the former Chief Executive Officer) 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 2016, 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 2016. 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	42
\$110,000-\$119,999	40
\$120,000-\$129,999	24
\$130,000-\$139,999	27
\$140,000-\$149,999	21
\$150,000-\$159,999	7
\$160,000-\$169,999	19
\$170,000-\$179,999	14
\$180,000-\$189,999	7
\$190,000-\$199,999	2
\$200,000-\$209,999	1
\$210,000-\$219,999	4
\$220,000-\$229,999	3
\$230,000-\$239,999	5
\$240,000-\$249,999	3
\$270,000-\$279,999	2
\$280,000-\$289,999	1
\$290,000-\$299,999	1
\$300,000-\$309,999	1
\$330,000-\$339,999	1
\$340,000-\$349,999	1
\$350,000-\$359,999	3
\$360,000-\$369,999	2
\$390,000-\$399,999	2
\$410,000-\$419,999	1
\$420,000-\$429,999	1
\$450,000-\$459,999	1
\$470,000-\$479,999	1
\$500,000-\$509,999	1
\$520,000-\$529,999	1
\$580,000-\$589,999	1
\$730,000-\$739,999	1
\$760,000-\$769,999	1
\$800,000-\$809,999	1
\$830,000-\$839,999	1
\$990,000-\$999,999	1
\$1,130,000-\$1,139,999	1
\$1,240,000-\$1,249,999	2
Total	248

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 2016 (notices given by directors during the financial year ended 30 June 2016 are marked with an asterisk):

Chris Moller (Chairman)		Richard Didsbury	
Meridian Energy Limited	Chair	Auckland International Airport Limited	Director
New Zealand Transport Agency	Chair	Brick Bay Wines Limited	Director
Westpac New Zealand Limited	Director	Brick Bay Development Trust	Trustee
Bruce Carter (Deputy Chairman)		Brick Bay Investments Trust	Trustee
ASC Pty Limited	Chair	Brick Bay Trustee Limited	Director
Aventus Capital Limited	Chair*	Committee for Auckland Limited	Chair
Badge Management Pty Limited	Director	Hobsonville Land Company Limited	Director
Bank of Queensland Limited and certain subsidiaries	Director	Kiwi Property Group Limited	Director
Cobbadah Pty Limited	Director	Whisper Cove Heights Limited	Director
Eudunda Farmers Limited	Director	Richard Tsiang	
Ferrier Hodgson	Consultant	The Hong Kong Jockey Club	Consultant and Advisory Board Member
Genesee & Wyoming Australia Pty Limited	Director		
Stichting Administratiekantoor Manadel (Holland)	Director		
Brent Harman			
Harman Investments Limited	Director and Shareholder		
Sue Suckling			
Callaghan Innovation Research Limited	Chair		
ECL Group Limited	Chair		
Jacobsen Holdings Limited	Chair		
Lincoln Hub Establishment Board	Chair*		
Ministry of Awesome	Trustee*		
New Zealand Qualifications Authority	Chair		
Restaurant Brands New Zealand Limited	Director		
Sue Suckling Holdings Limited	Managing Director*		

The following details included in the Interests Register as at 30 June 2015, or entered during the financial year ended 30 June 2016, have been removed during the financial year ended 30 June 2016:

- Chris Moller is no longer an Observer of Cricket World Cup 2015 Limited;
- Bruce Carter is no longer a director of BBRC Funds Management Pty Limited or Fortis Ago Pty Limited;
- Brent Harman is no longer a director of Harman Consulting Limited; and
- Sue Suckling is no longer the Chair of Barker Fruit Processors and certain subsidiaries, Interim Chair of NZ Health Partnerships Limited or the managing director of Acemark Holdings 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 2016:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
Chris Moller (Chairman)	2 October 2015	\$3.7846 per share ⁽¹⁾	1,234 ⁽²⁾
	30 October 2015	Nil ⁽³⁾	(64,760) ⁽²⁾
	30 October 2015	Nil ⁽³⁾	64,760
	18 March 2016	\$4.324 per share ⁽¹⁾	1,053
Bruce Carter (Deputy Chairman)	10 June 2016	\$4.40 per share ⁽⁴⁾	6,581
	2 October 2015	\$3.7846 per share ⁽¹⁾	1,265 ⁽⁵⁾
	18 March 2016	\$4.324 per share ⁽¹⁾	1,140 ⁽⁵⁾
Brent Harman	9 June 2016	A\$4.05 per share ⁽⁴⁾	5,634 ⁽⁵⁾
	27 May 2016	Nil ⁽⁶⁾	2,480 ⁽⁷⁾
	27 May 2016	Nil ⁽⁶⁾	(2,480) ⁽⁸⁾
	10 June 2016	\$4.40 per share ⁽⁴⁾	4,280 ⁽⁷⁾
	10 June 2016	\$4.40 per share ⁽⁴⁾	248 ⁽⁸⁾
	14 June 2016	Nil ⁽⁶⁾	248 ⁽⁷⁾
	14 June 2016	Nil ⁽⁶⁾	(248) ⁽⁸⁾
Sue Suckling	2 October 2015	\$3.7846 per share ⁽¹⁾	612 ⁽⁹⁾
	18 March 2016	\$4.324 per share ⁽¹⁾	522 ⁽⁹⁾
	10 June 2016	\$4.40 per share ⁽⁴⁾	3,264 ⁽⁹⁾
Richard Didsbury	24 August 2015	\$3.91 per share	15,000
	2 October 2015	\$3.7846 per share ⁽¹⁾	590
	18 March 2016	\$4.324 per share ⁽¹⁾	504
	10 June 2016	\$4.40 per share ⁽⁴⁾	3,148
Richard Tsiang	19 May 2016	\$4.40 per share ⁽¹⁰⁾	3,000
Nigel Morrison ⁽¹⁴⁾	23 February 2016	A\$4.18 per share	(27,000) ⁽¹¹⁾
	24 February 2016	\$4.51 per share	(50,000)
	15 March 2016	\$4.7248 per share	(50,000)
	11 April 2016	\$4.702 per share	(100,000)
	29 April 2016	\$3.908516 per share ⁽¹²⁾	979,177
	29 April 2016	Nil ⁽¹³⁾	(300,081)

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

(2) Shares held by FNZ Custodians Limited.

(3) Shares transferred from FNZ Custodians Limited to Chris Moller as part of a personal reorganisation.

(4) Acquisition of new shares under the retail entitlement component of an accelerated 1 for 10 pro-rata entitlement offer announced by SKYCITY on 11 May 2016.

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

(6) Shares transferred by Investment Custodial Services Limited to Forbar Nominees Limited as part of a personal reorganisation.

(7) Shares held by Forbar Nominees Limited.

(8) Shares held by Investment Custodial Services Limited.

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

(10) Acquisition of new shares under the institutional entitlement component of an accelerated 1 for 10 pro-rata entitlement offer announced by SKYCITY on 11 May 2016.

(11) Shares held by Perpetual Limited.

(12) Vesting of shares to Nigel Morrison under the 2013 SKYCITY Chief Executive Officer Long Term Incentive Plan.

(13) Forfeiture of shares by Nigel Morrison under the 2013 SKYCITY Chief Executive Officer Long Term Incentive Plan.

(14) Includes details of acquisitions and disposals up to 29 April 2016 only, being the date of Nigel Morrison's resignation as Managing Director.

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2016:

	SHARES BENEFICIALLY HELD
Chris Moller (Chairman)	72,394
Bruce Carter (Deputy Chairman)	61,983 ⁽¹⁾
Brent Harman	49,808 ⁽²⁾
Sue Suckling	35,911 ⁽³⁾
Richard Didsbury	34,632
Richard Tsiang	33,000

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

(2) Shares held by Forbar Nominees Limited.

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



STOCK EXCHANGE LISTINGS

SKYCITY Entertainment Group Limited is a listed issuer with ordinary shares quoted on both the NZX Main Board and ASX (in each case, under the ticker code 'SKC') and bonds quoted on the NZX Debt Market (under the ticker code 'SKC040').

SKYCITY Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 85 and 86 of this annual report.

SKYCITY has taken advantage of recent changes to the ASX Listing Rules, which enable companies that are dual-listed on the ASX with a primary listing on a foreign exchange to comply with a limited set of ASX Listing Rules in addition to the rules of its home exchange, and changed its ASX listing category from a 'Standard Listing' to a 'Foreign Exempt Listing' effective from 7 January 2016. The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rest with the home exchange and the supervisory regulator in that jurisdiction.

SKYCITY ENTERTAINMENT GROUP LIMITED

The following persons held office as directors of SKYCITY Entertainment Group Limited as at 30 June 2016:

Chris Moller (Chairman)	Bruce Carter (Deputy Chairman)
Brent Harman	Sue Suckling
Richard Didsbury	Richard Tsiang

SUBSIDIARY COMPANIES

Subsidiary Company Directorships

The following persons held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at 30 June 2016:

- Directors: Peter Treacy and John Mortensen:
 - New Zealand International Convention Centre Limited
 - Otago Casinos Limited
 - 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 Investments Australia Limited
 - SKYCITY Investments Queenstown Limited
 - SKYCITY Management Limited
 - SKYCITY Metro Limited
 - SKYCITY Wellington Limited
 - Sky Tower Limited

- Directors: Peter Treacy, John Mortensen and Bruce Carter:
 - SKYCITY Adelaide Pty Limited
 - SKYCITY Australia Finance Pty Limited
 - SKYCITY Australia Pty Limited
 - SKYCITY Treasury Australia Pty Limited
 - SKYCITY Darwin Pty Limited
- Directors: Peter Treacy and Robert Hamilton:
 - Horizon Tourism Limited
 - SKYCITY Investment Holdings Limited

Non-wholly Owned Company Directorships

As at 30 June 2016, 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 – John Mortensen:
 - 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 or 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 11 May 2016, NZX granted SKYCITY a waiver from the following NZX Listing Rules in relation to a 1 for 10 pro-rata accelerated entitlement offer of new fully paid ordinary shares in SKYCITY announced on 11 May 2016:
 - 7.3.1(a), which prohibits the issue of equity securities unless the precise terms and conditions of the specific proposal to issue those equity securities have been approved by separate resolutions of holders of each class of quoted equity securities whose rights or entitlements could be affected by that issue and that issue is completed within the specified timeframe;
 - 7.10.1, which requires letters of entitlement to rights to be sent to holders of those rights within five business days of the record date for the determination of the entitlement and by means that will give holders reasonable time to deal with their rights;
 - 7.10.2, which provides that the closing date and time for applications under rights issues must not be earlier than the twelfth business day after the day of mailing of the last of the letters of entitlement; and
 - 7.10.8, which provides that where a rights issue is to be made but quotation is not sought the issuer must give to NZX forthwith after the decision has been made (and at least five business days before the ex date to determine entitlements) full details of the issue.

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.

VOTING RIGHTS ATTACHED TO SECURITIES

Each share gives the holder a right to attend and vote at a meeting of shareholders. Holders have the right to cast one vote per share on a poll of any resolution put to the shareholders.

There are no voting rights attached to SKYCITY's debt securities. However, bond holders are welcome to attend the annual meeting of shareholders.

The total number of listed voting securities of SKYCITY Entertainment Group Limited as at 30 June 2016 was 656,986,761.

LONG TERM INCENTIVE SHARES

As at 1 August 2016, a total of 2,618,850 shares were 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 19 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 only 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.

During the financial year ended 30 June 2016, the board considered all such transfers and was satisfied in each case that the registration of the relevant transfer would not prejudice any casino licence.

DONATIONS

Donations of \$10,041 were made by the company during the 12-month period ended 30 June 2016 (\$52,260 during the 12 months ended 30 June 2015).

REVIEW OF OPERATIONS AND ACTIVITIES

A detailed review of the operations and activities of the company for the financial year ended 30 June 2016 is set out in the Chairman and Interim Chief Executive Officer's Review on pages 4 to 9 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 85 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.

ESCROW AND BUYBACK ARRANGEMENTS

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 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 the date of this annual report, the company does not have in place an on-market share buy-back programme.

CREDIT RATING

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

FINAL DIVIDEND

In respect of the year ended 30 June 2016, a final dividend of 10.5 cents per share will be paid on 16 September 2016 to all shareholders on the company's register at the close of business on 2 September 2016.

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 is 5.00pm (New Zealand time) on 2 September 2016. 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.



REGISTERED OFFICE

**SKYCITY
Entertainment
Group Limited**
Level 6
Federal House
86 Federal Street
PO Box 6443
Wellesley Street
Auckland
New Zealand

Telephone:
+64 9 363 6000
Facsimile:
+64 9 363 6140
Email: sceginfo@skycity.co.nz
www.skycityentertainmentgroup.com

Registered Office in Australia
c/o Finlaysons
81 Flinders Street
GPO Box 1244
Adelaide
South Australia

Telephone:
+61 8 8235 7400
Facsimile:
+61 8 8232 2944

AUDITOR

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland

SOLICITORS

Russell McVeagh
Vero Centre
48 Shortland Street
PO Box 8
Auckland

Bell Gully
Vero Centre
48 Shortland Street
PO Box 4199
Auckland

Webb Henderson
110 Customs Street West
PO Box 105-426
Auckland

SUPERVISOR FOR BONDS

**The New Zealand Guardian Trust
Company Limited**
Dimension House
99-105 Customhouse Quay
PO Box 913
Wellington

REGISTRARS

NEW ZEALAND

**Computershare
Investor Services
Limited**
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland

Telephone:
+64 9 488 8700
Facsimile:
+64 9 488 8787
Email: enquiry@computershare.co.nz

AUSTRALIA

**Computershare
Investor Services
Pty Limited**
Level 4
60 Carrington Street
Sydney NSW 2000
GPO Box 7045
Sydney NSW 2000

Telephone:
+61 2 8234 5000
Facsimile:
+61 2 8234 5050
Email: enquiry@computershare.co.nz

