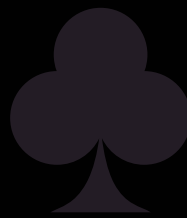
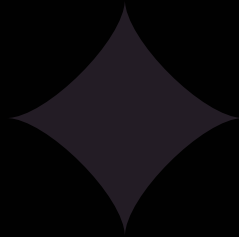




Annual Report
Year Ended 30 June 2019





This annual report is dated 14 August 2019 and is signed on behalf of the Board of directors of SkyCity Entertainment Group Limited (SkyCity or the company and, together with its subsidiaries, the Group) by:

Rob Campbell
Chair

Bruce Carter
Deputy Chair

An electronic copy of this annual report is available in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com

ABOUT THIS ANNUAL REPORT

Unless otherwise stated, all dollar amounts in this annual report are expressed in New Zealand dollars.

Where appropriate, information is also provided in relation to activities that have occurred after 30 June 2019, but prior to publication of this annual report.

The non-financial information in this annual report has been informed by the principles and disclosures of the Global Reporting Initiative's (GRI) Sustainability Reporting Standards. Ernst & Young has undertaken limited assurance (in accordance with the International Standard on Assurance Engagements (New Zealand)) over disclosures associated with selected performance data included in the Sustainability section included in this annual report. A GRI reference index based on the GRI Sustainability Reporting Standards is included on pages 178-181 of this annual report.

Normalised numbers are a non-GAAP financial measure. A reconciliation of reported and normalised earnings and description of the differences are provided on pages 174-177.



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GRI CONTENT INDEX

GLOSSARY

DIRECTORY

ANNUAL MEETING

The 2019 SkyCity Annual Meeting will be held on Friday 18 October 2019 in the SkyCity Theatre, Level 3, SkyCity Auckland, Corner of Wellesley and Hobson Streets, Auckland, commencing at 10.00am (New Zealand time).



Year in Review

2018



JULY

- Sky Tower lit yellow and orange to depict a sunrise over a 3-week period to celebrate Matariki, the Māori New Year
- SkyCity becomes a signatory to the Climate Change Statement committing SkyCity to reducing greenhouse gas emissions in line with New Zealand's obligations under the Paris Agreement



AUGUST

- Record FY18 full-year result with normalised net profit after tax (NPAT) up 10.4% to \$169.9 million and reported NPAT up 277.9% to \$169.5 million (due to A\$95 million impairment of SkyCity Darwin's goodwill the previous year)
- Sky Tower open day raises more than \$9,000 for Youthline
- SkyCity Teddy Bears' Picnic in the Sky Tower raises more than \$4,500 for Kidz First Children's Hospital



SEPTEMBER

- FY18 final dividend paid to shareholders – 10 cents per share
- SkyCity Auckland welcomes public health providers into the casino during Gambling Harm Awareness Week
- Marek Przyborek (Huami) named 2018 New Zealand Sommelier of the Year
- Sky Tower hosts the Memorial Firefighter Stair Climb in honour of New Zealand firefighters lost in the line of duty since 1872



OCTOBER

- Carmen Leong (SkyCity Grand Hotel) wins New Zealand Receptionist of the Year 2018 at the AICR Hotel Receptionist of the Year competition
- More than 600 egg trays donated to the Auckland Council to assist the safe carriage of eggs from Great Barrier Island to the Auckland City Mission
- SkyCity announces plans to grow its hotels business across its portfolio and develop its Queenstown site



NOVEMBER

- SkyCity agrees to sell SkyCity Darwin to Delaware North for A\$188 million
- Dani Chen (Bellota) wins the 2018 World Tapas Championship in Spain
- SkyCity becomes a Platinum Partner of Women in Gaming Australasia
- SkyCity's bespoke Māori leadership programme, Tahuna Te Ahi, wins the 2018 Deloitte Top 200 Diversity & Inclusion Leadership Award



DECEMBER

- Academy Award-winning design and effects company Weta Workshop announces plans to open a new entertainment experience at SkyCity Auckland
- Danielle Davies (SkyCity Auckland) named Young Tourism Export Council's Rising Star

2019



JANUARY

- Annual Sky Tower New Year's Eve fireworks and laser animation display welcomes in the New Year
- Record visitation of 32,000 people to the SkyCity Auckland main casino floor on New Year's Eve/Day – up 11% from the prior year
- Record New Year's Eve/Day daily gaming machine turnover at SkyCity Auckland



FEBRUARY

- SkyCity announces a climate change strategy that will see its New Zealand sites carbon neutral by the end of 2019, with its Adelaide site to follow in 2020
- Reported net profit after tax (NPAT) down 11.4% for the first half of FY19 to \$82.8 million and normalised NPAT up 11.4% to \$97.0 million
- SkyCity announces on-market share buy back programme to purchase up to 5% of its total ordinary shares on issue
- Installation commences of Sara Hughes' 2,400sqm glass artwork on the exterior of the New Zealand International Convention Centre



MARCH

- FY19 interim dividend paid to shareholders – 10 cents per share
- Sky Tower lit as a candle to honour the victims of the Christchurch attack and to stand in solidarity with the Muslim community and all those affected
- 2019 NRL season officially launched at SkyCity Auckland, the official 'Home of the Vodafone Warriors', with squad members and fans in attendance



APRIL

- Sale of SkyCity Darwin to Delaware North for A\$188 million completed
- David Christian appointed as General Manager Adelaide
- SkyCity agrees to sell a long term concession to Macquarie Principal Finance to operate SkyCity Auckland's 3,200 car park spaces until 2048 for \$220 million
- SkyCity awarded Gender Tick, a New Zealand-based accreditation, in recognition of its commitment to providing a fair workplace for all employees



MAY

- SkyCity Auckland awarded the New Zealand Rainbow Excellence Awards 2019 Training and Development Award for its Transition Support framework
- SkyCity announces plans to launch an offshore online gaming business
- More than \$1.3 million raised for Leukaemia & Blood Cancer New Zealand in the 15th Firefighter Sky Tower Stair Challenge



JUNE

- SkyCity awarded the Auckland International Airport Award for Contribution to the Growth of Chinese Tourism in New Zealand at the 2019 HSBC NZCTA China Business Awards
- The Sugar Club launches New Zealand's first ever low carbon menu
- SkyCity named as a Platinum winner in the Best Learning & Development Project – Leadership Capability category at the international LearnX Awards for its Tahuna Te Ahi programme
- Liz Burrett (SkyCity Auckland) named Hotel Industry Sales, Marketing & Distribution Employee of the Year at the 2019 New Zealand Hotel Industry Awards

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.

Creating Value

Inputs

FINANCIAL CAPITAL

Pool of funds (equity, debt and grants) available to SkyCity from banks, shareholders and bondholders or generated through SkyCity's operations or investments

MANUFACTURED CAPITAL

Manufactured production-orientated physical objects (buildings, equipment and infrastructure) available to SkyCity that contribute to the delivery of SkyCity's products and services

INTELLECTUAL CAPITAL

Intellectual property, organisational capital, brand and reputation developed by SkyCity

HUMAN CAPITAL

Competencies, capabilities and experience of the SkyCity workforce and SkyCity's capacity to add value through human capital development

SOCIAL AND RELATIONSHIP CAPITAL

Relationships within SkyCity and with external stakeholders that enhance individual and collective wellbeing and are essential to SkyCity's social licence to operate

NATURAL CAPITAL

Renewable and non-renewable environmental stocks (air, water, land and ecosystem health) that provide goods and services that support SkyCity's current and future prosperity

Our Business

5,031 staff

5 properties across New Zealand and Australia



GAMING

5 casino licences
3,204 electronic gaming machines
273 table games
307 automated table games



HOSPITALITY

23 restaurants
16 bars



HOTELS

635 hotel rooms



CONFERENCES

6,266 sqm of conference rooms



SKY TOWER

328 metres tall

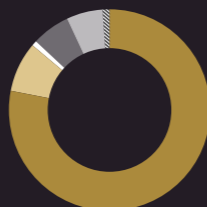


PARKING

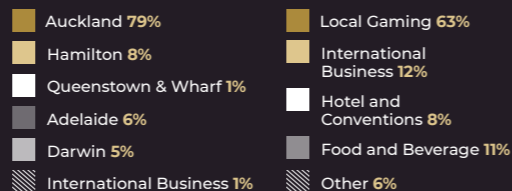
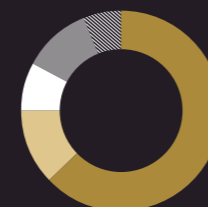
2,248 parking bays

as at 30 June 2019

FY19 OPERATING EARNINGS BY PROPERTY



FY19 REVENUE BY BUSINESS ACTIVITY



Outputs & Financial Results

FY19 revenue (including gaming GST) and annual visitation



GAMING

\$764 million (reported)
\$831 million (normalised)
2.8 million visits from loyalty card members*



HOSPITALITY

\$111 million
5.7 million restaurant/bar covers



HOTELS

\$54 million
228,000 rooms occupied



CONFERENCES

\$22 million
160,000 conference delegates



SKY TOWER

\$18 million
574,000 visits



PARKING

\$8 million
2.2 million cars parked

\$161 million in taxes to **Governments**

\$301 million in salaries & wages to **staff**

\$135 million of dividends declared in relation to FY19 period for **shareholders**

\$14 million in **community contributions, levies and sponsorships**

\$178 million to **suppliers**

\$344 million of **capital invested**

\$38 million in interest paid to **lenders**

Outcomes & Impacts



Customers

Be responsible hosts
 Happy, safe customers



People

Inspire our people

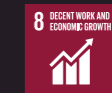
Great, safe place to work



Communities

Grow our communities

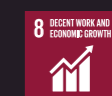
Thriving local communities



Suppliers

Source responsibly

Consistent ethical sourcing



Environment

Protect the environment

Significantly lower emissions



Note: The sale of the SkyCity Darwin business was completed on 4 April 2019. Accordingly, the SkyCity Darwin business is not included in the figures provided as at 30 June 2019, but is included for the period from 1 July 2018 – 3 April 2019 for the purposes of the FY19 Operating Earnings by Property graph, FY19 Revenue by Business Activity graph and FY19 annual visitation and normalised revenue information.

*Calculated by reference to customers who used their SkyCity Premier Rewards cards to game, where one visit records a customer's patronage on a day irrespective of how many times they used their card on that day.

Performance

Our FY19 Highlights

SkyCity delivered a solid financial performance in FY19, underpinned by strong growth in our International Business and good results from the combined New Zealand properties. Adelaide was stable on a like-for-like basis, despite ongoing to construction disruption experienced from the redevelopment project.

The key features of the FY19 result are:

Reported EBITDA **\$297.8 million** Normalised EBITDA of **\$342.7 million**

down 3.9% due to a win rate in International Business of 1.00% (below the theoretical win rate of 1.35%) and other significant items

up 1.3% over the previous comparable period

International Business turnover **\$14.1 billion**

up 19% on FY18 with gain in share of Australia/NZ VIP market

Auckland electronic gaming machine revenue **7.4%**

growth over FY18 due to growth in visitation, new product mix and floor layout

Reported NPAT **\$144.6 million** Normalised NPAT of **\$173.0 million**

down 14.7% due to a win rate in International Business of 1.00% (below the theoretical win rate of 1.35%) and other significant items

up 1.9% over the previous comparable period

Net asset sale proceeds **\$450 million**

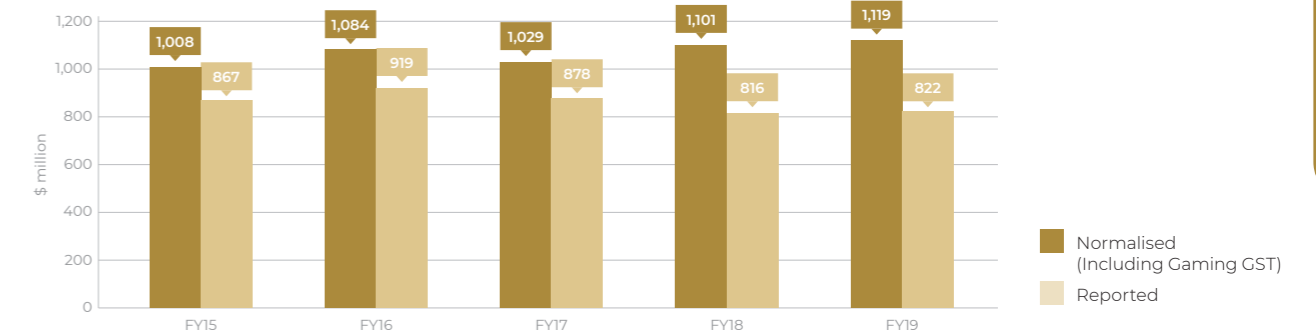
to be released from the sale of SkyCity Darwin, Auckland car park concession and Federal Street car park

Dividends (fully imputed) **20 cps**

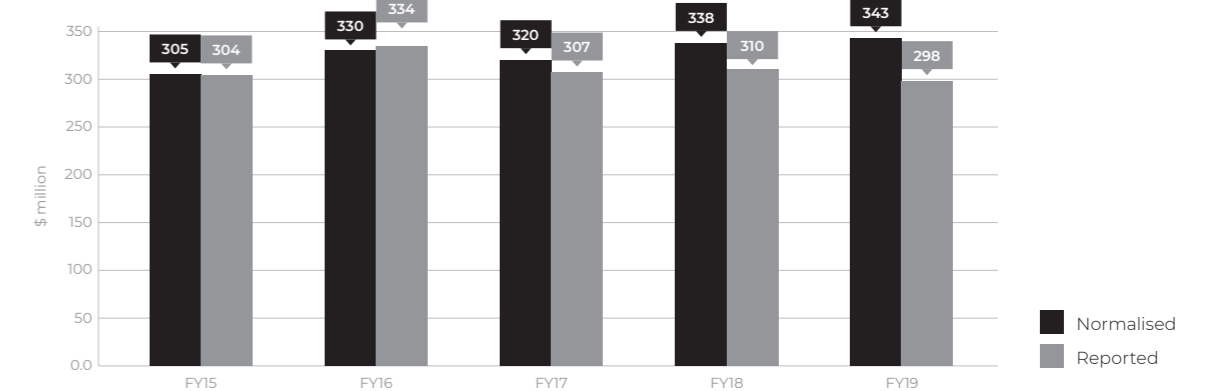
comprising an interim dividend of 10 cents per share and a final dividend of 10 cents per share, which will be paid on 13 September 2019 to all shareholders on the company's register at the close of business on 30 August 2019

Our Performance History

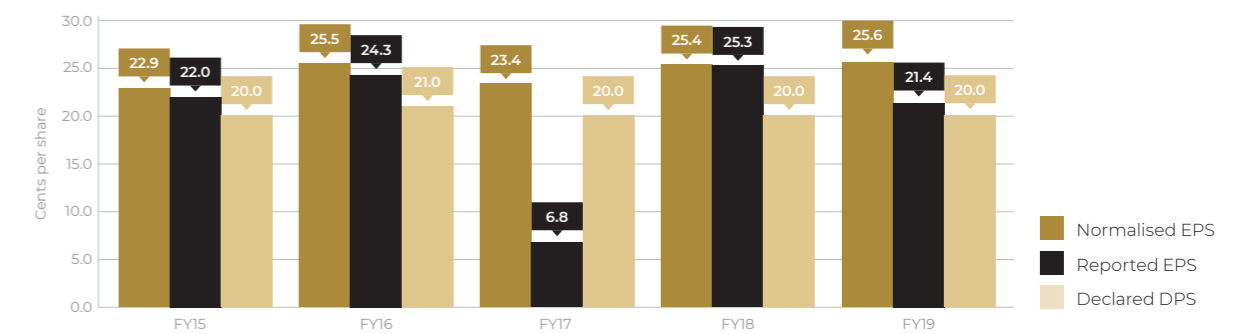
Group Revenue



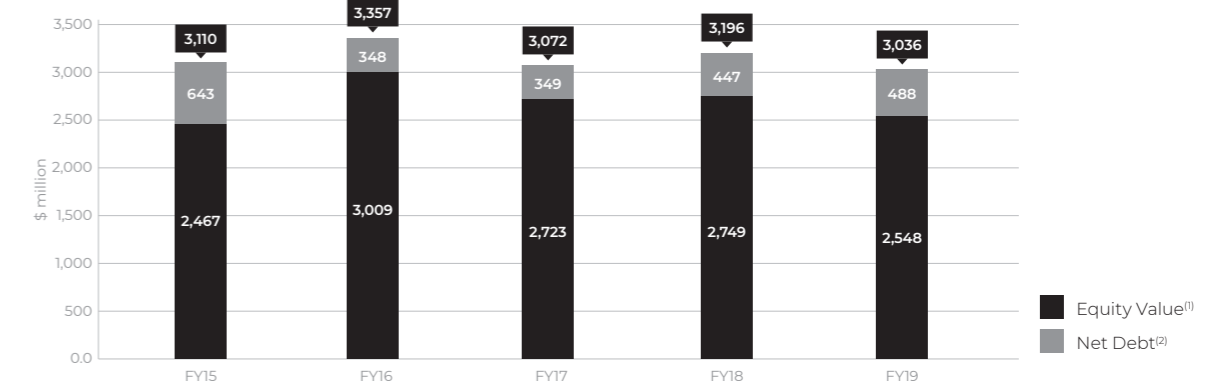
Group EBITDA



Earnings Per Share (EPS) and Dividend Per Share (DPS)



Enterprise Value



(1) Based on the share price and number of shares on issue as at 30 June in each financial year.
 (2) Gross hedged debt less cash at bank as at 30 June in each financial year.

Notes: (a) FY15-FY19 reported Group revenue figures have been adjusted for New Zealand IFRS 15 (Revenue from Contract with Customers); and (b) reported Group revenue and reported Group EBITDA figures for FY18 and FY19 exclude SkyCity's Darwin operations, which were discontinued on 4 April 2019.

Better communities at the heart of what we're doing



Our sustainability initiatives are focussed on doing good for our communities – our customers, employees and suppliers. Our objective is to ensure that our strategic decisions strengthen the communities we operate in and provide environments and opportunities for our customers, suppliers and staff to enjoy, to be entertained and to be safe.

FY19 Performance Highlights



Our People

We established the SkyCity Inclusion Council to support the embedding of an authentic and inclusive culture within SkyCity Auckland



Our Communities

We paid a total of \$4.0 million (assured) to the four New Zealand SkyCity Community Trusts for distribution to communities in the Auckland, Waikato and Queenstown Lakes regions and distributed over \$1.6 million (not assured) in sponsorships to individuals and organisations



Our Customers

In the 2019 SkyCity Employee Engagement Survey, our staff rating as a 'responsible host' was 88% – an increase of 2% from the 2017 survey



Our Environment

We will be among the first major New Zealand companies to go carbon neutral, achieving carbon neutrality across our New Zealand sites in 2019



Our Suppliers

We developed and adopted a new ethical and responsible sourcing strategy for the SkyCity Group

Diversity Snapshot

SkyCity is a major employer with over 5,000 staff and growing. We employ a diverse range of people at all skill levels and aim to create an environment where people are at the centre, are motivated to work hard, progress in their careers and are empowered to grow and achieve.

The following graphic shows the diverse make up of our workforce as at 30 June 2019.

STAFF

WE HAVE
5,031
STAFF
(full-time, part-time and casual)

LGBTTI+ COMMUNITY

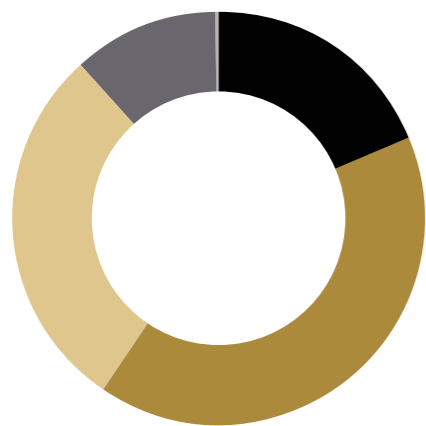
6%
identify as being a member of the
LGBTTI+
community

DISABILITIES

1%
identify as having a disability



AGE

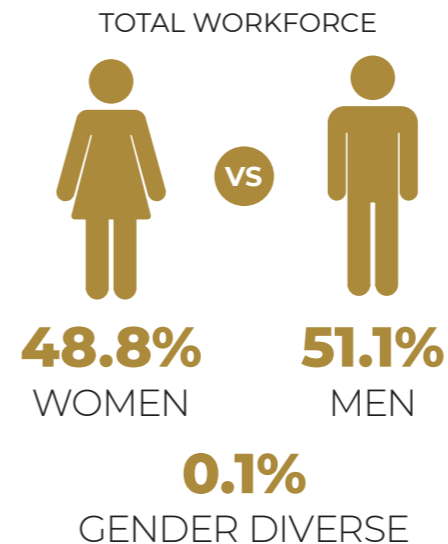


- Generation Z (<23 years) **18.8%**
- Millennials (24–36 years) **40.8%**
- Generation X (37–53 years) **28.8%**
- Baby Boomers (54–75 years) **11.5%**
- Veterans (76–93 years) **0.1%**

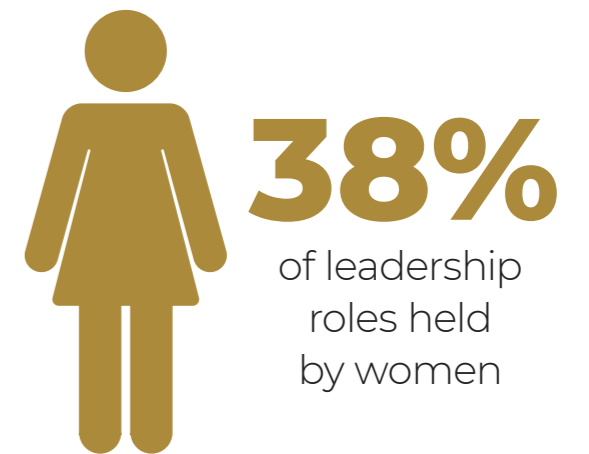
59%
of our workforce are 36 years old and under

35 YEARS average age of our workforce
83 YEARS age of our oldest staff member

GENDER BREAKDOWN



WOMEN IN LEADERSHIP



The gender composition of SkyCity's directors, officers, senior executives and total workforce as at 30 June 2019 and, comparatively as at 30 June 2018, is set out below:

2019	Female		Male		Total
	Number	%	Number	%	
Directors	2	33%	4	67%	6
Officers	3	38%	5	62%	8
Senior Executives	4	36%	7	64%	11
Total Workforce	2,456	49%	2,569	51%	5,025

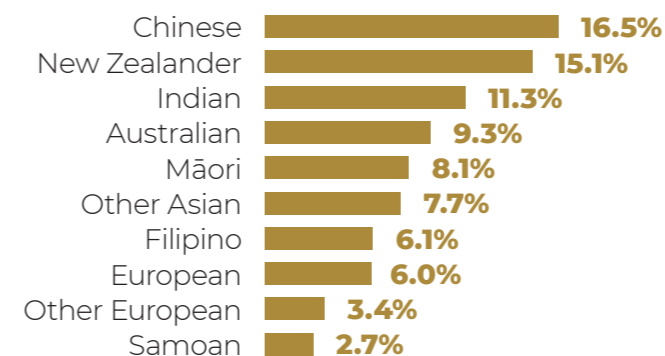
2018	Female		Male		Total
	Number	%	Number	%	
Directors	2	29%	5	71%	7
Officers	3	43%	4	57%	7
Senior Executives	4	40%	6	60%	10
Total Workforce	2,737	48%	2,950	52%	5,691

In the above tables:

- 'officers' are the Chief Executive Officer and those directly reporting to the Chief Executive Officer, other than the Executive Assistant;
- 'senior executives' are those who hold a strategic position (as determined by the People and Culture Committee from time to time) and are noted as a 'senior executive' in the SkyCity Board Charter; and
- the 'total workforce' number does not specify those who identify as gender diverse.

ETHNICITIES*

OUR TOP 10 ETHNICITIES STAFF IDENTIFY WITH:



Staff speak/write in



different languages

OUR TOP 3 NON-ENGLISH LANGUAGES:

Mandarin, Tagalog (Philippines) and Hindi

*Given as a percentage of those staff members who provided details about their ethnicity.

Chair's Review

The past year has been one of solid performance by SkyCity's ongoing business while progress has been made on major projects setting the stage for future improvement.

Reported net profit was down 14.7%, impacted by some significant transactions, including the sale of SkyCity Darwin and a lower win rate in International Business. Normalised net profit, which is a commonly referenced measure of performance in the casino industry in Australasia, was up slightly from the preceding year. The FY19 outcome was negatively impacted by some specific events, such as the imposition of a new 'bed tax' on our Auckland hotel revenue, a \$6.5 million increase in effective tax rate and the earnings from our SkyCity Darwin property being available for only 9 months due to its sale. Our operations in Auckland and Adelaide continue to face disruption from surrounding development. The wider economic and tourism conditions have not been buoyant. Those things noted, along with the costs associated with rectifying a substantial technology deficit across the business, performance must improve.

The aim of SkyCity is to be a business which succeeds in financial, social and environmental terms in the long run. This is an "all of business" objective which requires the active commitment of all of our leadership and staff. We judge ourselves, and expect to be judged by others, across this full range. Our success must be part of the success of the communities of which we form part.

Given this, we have applied considerable attention to our staff training and involvement programmes based on diversity, skills and performance; refocussed our community funding programmes on youth and employment development; and taken a more defined and positive position on climate change response. We have continued to develop our alcohol and gambling addiction programmes in monitoring and support.

The primary task of the SkyCity Board is the efficient allocation of capital. There has been genuine progress here since I identified last year a strategy to enhance returns on capital employed in the business. The sale of

the SkyCity Darwin business, the long term concession of our SkyCity Auckland car park assets and the Federal Street car park in Auckland reflect this strategy. These sales will net the business around \$450 million to reduce debt, institute a capital returns programme and fund our ongoing and future growth projects. The overall impact is to place the business in a strong position to fund the ongoing repair of our technology platform and other value enhancing projects under consideration.

The Auckland and Adelaide construction projects have made progress and are being intensively managed within the terms of their build contracts. The Auckland project is the subject of unacceptable and costly delays, but will deliver an impressive convention centre and hotel complex which will be of considerable ongoing value to our business and a national asset in its own right. Integrated as it will be with our other hotel and entertainment properties in the precinct, including expanded activities and food and beverage outlets, today's construction site will become tomorrow's gathering place for locals, tourists and convention attendees for many decades.

The Adelaide casino and hotel expansion project is moving at pace. This project is fully integrated with a massive city redevelopment around the iconic Riverside and Oval. We remain confident that this project will greatly enhance the value of our Adelaide property, lifting its performance to required levels.

In all of our casino properties, we continue to invest to provide our customers with up-to-date products and experiences equal to that of casinos throughout the world. Our customers cover a wide range of gaming interests, levels of play and service expectations. Their satisfaction with their experience is vital to our success and it is in the nature of our business that we must be constantly reinvesting to meet their demands. This makes our vigilance and control over capital and risk all the more critical.



Rob Campbell

Chief Executive Officer's Review

The year under review has been a good one for SkyCity with a continuation of the positive momentum that has been evident in the business over the last few years.

Features of the year include:

- Reported earnings before interest, tax, depreciation and amortisation (EBITDA) down 3.9%, and reported net profit after tax (NPAT) down 14.7%, due to a lower win rate in International Business and other significant items
- Normalised EBITDA up 1.3%, and normalised NPAT up 1.9%, despite a more challenging operating environment
- Excellent progress on our major project in Adelaide – due to open towards the end of 2020
- Making progress on our major project in Auckland – now expected to complete towards the end of 2020. We continue to engage with the main construction contractor to expedite the project
- Sale of SkyCity Darwin and Auckland car parks (main site concession and Federal Street) – expected to release \$450 million of cash proceeds
- Successful buy back of \$39 million of shares on-market as part of our refreshed capital allocation framework
- Declaration of a fully-imputed final dividend of 10 cents per share – bringing total FY19 dividends to 20 cents per share
- Offshore online casino launched in August 2019 in partnership with Gaming Innovation Group
- Development of master plans for Auckland, Hamilton and Queenstown, including the acquisition of land in Queenstown and consolidation of properties adjacent to the SkyCity Auckland precinct
- Refreshed brand launched on 1 July 2019
- Continued investment in our people with new staff values approved – "Own it, Share it, Live it"
- Ongoing investment in key sustainability initiatives

Overall, I am pleased with where we have finished the year, particularly our operating results which were slightly ahead of expectations – full credit to the team for delivering the numbers. These results were achieved against the backdrop of a more challenging operating environment, both domestically and internationally, and increased cost pressures across the business. When you adjust for the sale of our Darwin

property (which closed in April 2019) and legislative changes increasing our effective tax rate, normalised NPAT for FY19 was up 7.5% relative to the previous corresponding period.

Reflecting on the current economic environment (both local and international), our outlook for FY20 is more cautious than prior periods. However, we continue to expect growth on a like-for-like basis and will be working hard to achieve this. Comparability of our FY20 earnings to prior periods will be complicated by structural changes to the business (ie. asset sales and the upcoming closure of our existing SkyCity Auckland Convention Centre while it is readied for Weta Workshop and the All Blacks Experience) and higher pre-opening costs as we ramp up preparations to operationalise our new assets in Auckland and Adelaide post completion.

Our refreshed Group strategy, now in its second year, has a clear emphasis on the creation of shareholder wealth and a focus on sustainability initiatives critical to our social licence to operate. The progress we have made across our key sustainability initiatives is an area I am particularly proud of in the year under review. Being recognised at the Deloitte Top 200 Awards as the winner of the Diversity & Inclusion category for our Māori leadership programme, Tahuna Te Ahi, was a great moment for SkyCity, as is our progress towards being carbon neutral in New Zealand by September 2019 (and Adelaide during 2020).

We refreshed our brand across our New Zealand properties from 1 July 2019 with a new, more contemporary logo which reflects our values of "Own it, Share it, Live it" and the modern, dynamic, entertainment company we are today. Our Adelaide property will follow this refresh in 2020 to coincide with completion and opening of the expanded casino and new hotel project.

Everyone has been really stretched to accomplish the many strategic initiatives whilst also improving the underlying operations. This pressure will continue through next year and the following as we open and establish our two major projects – in addition to managing the completion of the developments themselves we will be recruiting and training around 1,500 new team members.

A big thank you to the SkyCity Board for their ongoing support of me and the Senior Leadership Team over the past year and to my team across the business for their tireless efforts and positive energy.



Graeme Stephens

Communities need good businesses



By creating value for others,
we create value for SkyCity.

Delivering Our Group Strategy

Last year, we announced a refreshed Group medium term strategy which has a clear focus on the creation of both sustainable shareholder returns and enhanced social and sustainability initiatives critical to the long term viability and success of SkyCity.

Key considerations when setting the strategy were:

- profitability of our business is roughly 80% from New Zealand and 20% from Australia. Shareholders are comfortable with the relatively low country risk and regulatory environments that these jurisdictions offer and we are likely to remain focussed on this region for the foreseeable future;
- our business is predominantly gaming-led, with roughly 80% currently coming from the casino component. The long term, exclusive nature of our casino licences provides a solid underpin to the risk profile of the business. We have strategically evaluated our existing casino licences to ensure we are maximising the potential within them and have identified further opportunity for growth in the premium market as well as our Queenstown licences;
- there are unlikely to be many (if any) new land-based casino licence opportunities in our jurisdictions of operation, so growth (other than organic growth) will have to come from other lines of business. The balance of our business essentially derives from hotels and restaurants. Our restaurants are relatively low margin and exist primarily to service our gaming, hotel and conventions customers and to ensure that our destinations remain relevant in their communities. Our hotels are higher margin businesses and there is an opportunity to scale up our portfolio and expertise;
- we are cognisant of a strategic need to remain abreast of developments in the online and digital space and, where appropriate, to ensure that we take up opportunities that will ensure we continue to offer a relevant form of entertainment;
- a review of our existing precincts to ensure that we are maximising opportunities has highlighted areas of potential investment into premium gaming spaces, hotels (as highlighted above) and entertainment to ensure our destinations remain relevant to customer demand. Where necessary, we are prepared to acquire property to ensure we are future-proofed;
- we have two major projects currently underway that have committed us to ~\$800 million of debt over the next few years. While we are very comfortable with our ability to service and repay this level of gearing, it does not leave us with any significant debt capacity for other expansionary projects or initiatives in the short term. Any funding requirements for new initiatives will be raised through sale of non-core assets and/or partnering using a "capital lighter" approach; and
- the relatively high dividend yield that SkyCity offers is valued by shareholders and should be preserved and recognised when looking at any future funding requirements.

Our Vision

To be the leader in gaming, entertainment and hospitality in our communities

Our Business Goals



Improve our operating performance



Optimise our existing portfolio



Grow and diversify our business

Our Character & Culture Goals



Offer a great and safe place to work



Always put customers first



Be responsible leaders in our communities

This section provides a summary of SkyCity's performance and strategic positioning to create value during the 2019 financial year and our priorities for the year ahead.

FY19 Performance – Our Business Goals

Improve our Operating Performance

During the financial year, we successfully implemented several initiatives to improve our operating performance, including new events/promotions, more effective marketing, investing in new products and placing a greater emphasis on data analytics.

The benefits of new gaming product and changes to the floor layout are being realised across the Group, particularly in Auckland, as is our ongoing investment in premium/VIP gaming. Our International Business has seen increased visits from major customers, which has led to a record year in terms of turnover and normalised profitability. Plans to significantly upgrade our premium gaming areas in Auckland are underway with a complete refurbishment of Levels 8 and 9 of the main casino site due to be completed by the second half of FY20.

We continue to make good progress on our ICT investment and digital capability. We have delivered significant change to critical ICT infrastructure over FY18 and FY19 and are now at a point where we can focus on initiatives to enhance the customer experience, centred around customer relationship management and loyalty improvements.

SkyCity remains firmly focussed on achieving efficiencies where possible to offset cost inflation and achieve operating leverage. SkyCity has a lean operational model with detailed cost reviews completed annually.

We were excited to launch a refresh of our brand on 1 July 2019 in New Zealand with changes to signage and brand collateral being progressively implemented. Our new brand is reflective of who we are now – a diverse, dynamic, entertainment company. Our approach to the refresh has been to focus on the customer and to make incremental changes to avoid a costly replacement of touchpoints. We plan to launch the refresh in Adelaide around the time the new expanded facility opens, which will also coincide with a name change from Adelaide Casino to SkyCity Adelaide.

Optimise our Existing Portfolio

We have progressed a number of key initiatives to optimise our existing portfolio over the year in review.

The New Zealand International Convention Centre and Horizon Hotel project, which has been subject to considerable delays from originally contracted completion dates, is proceeding albeit slower than desired. The convention centre is close to being watertight and the shape and form of the meeting rooms, plenary, exhibition floor and public spaces is coming to life. The unique glass panels and terracotta spine wall created by New Zealand artists, Sara Hughes and Peata Larkin, are now visible at street level. The 300-room, 5-star hotel is well advanced with the external façade completed and internal fitout well progressed. At this stage, we continue to expect completion of the project towards the end of 2020 and expect no material changes to previous guidance on the total investment for the project.

Excellent progress has been made on our expansion of the Adelaide Casino during the year. The project is progressing well with Hansen Yunken, the main construction contractor, on time for a September 2020 completion. The 'topping off' of the new facility is expected to take place in September 2019 and the hotel, casino levels and public spaces are well established – the first glass panels were installed in early June 2019. Walker Corporation, which is developing Festival Plaza and a 1,500-space car park (adjacent to the casino), is progressing satisfactorily. SkyCity still expects to deliver the project in-line with its A\$330 million budget.

Significant attention is being given to preparing both projects for operationalisation to ensure a smooth handover and ensure we can hit the ground running post openings. As a result, you will note a step up in pre-opening costs in both Auckland and Adelaide as we near completion.

SkyCity's master planning for the Federal Street precinct in Auckland is beginning to take shape, with the property acquisitions largely completed and the move of Head Office to SkyCity HQ on the corner of Albert and Victoria Streets underway.

This move will allow for Federal House on Federal Street to be demolished and become part of a broader precinct development, which will include accommodation, retail and further entertainment/hospitality. SkyCity is actively seeking a development partner to co-invest in developing the Federal Street block and to further unlock the value of the precinct.

SkyCity continues to evaluate the potential for further development opportunities in both Hamilton and Queenstown. We own undeveloped freehold land in Hamilton adjacent to our casino which could accommodate a hotel. Our decision to proceed with any development will be influenced by a need to increase the number of electronic gaming machines at the property as we are already capacity constrained on weekends.

In Queenstown, we have successfully acquired a hectare of lakefront land (633 Frankton Road) with panoramic views of the Remarkables and Lake Wakatipu. Premium accommodation in Queenstown remains undersupplied despite the prominence of high-value tourists – a significant opportunity exists for SkyCity to provide an integrated gaming/lodging offering for VIP/premium customers given the popularity of the location.

Given the nature and size of our potential investments in Hamilton and Queenstown, certain regulatory changes will be required.

Consistent with our intention to pursue opportunities to go “capital lighter”, we have concluded the sale of our SkyCity Darwin property and the Federal Street car park and have gone unconditional on the sale of the long term concession over our Auckland car parks (expected to complete on 19 August 2019). These transactions will release significant capital (around \$450 million) to repay bank debt in the first instance and then recycled into capital return initiatives and strategic opportunities.

SkyCity remains focussed on effective capital allocation and our balance sheet is in a strong position to deliver on our medium term strategic plan. A combination of surplus cash due to asset sales and there being no immediate requirement for re-distribution of proceeds into strategic projects (and a share price trading below our view of fair value), saw SkyCity proceed with an on-market share buy back programme during 2H19 with \$39 million in total shares having been acquired by 30 June 2019. We have Board

approval to buy up to 5% of issued capital under the buy back programme. Even assuming the full buy back is executed, we have sufficient funding headroom to invest in our master planning opportunities in Hamilton and Queenstown on a standalone basis and stay within acceptable gearing limits, but would need a development partner in Auckland to make the investment feasible and not stretch our balance sheet.

Consistent with prior periods, we remain committed to both our BBB- credit rating, which was recently reinforced by Standard & Poor's, and our existing dividend policy, which offers shareholders attractive yield through the cycle.

Grow and Diversify our Business

Hotel Strategy

SkyCity is progressing with its strategy to grow its hotel business. SkyCity's existing presence in hotels is expanding in Auckland and Adelaide over the next 18 months. As previously highlighted, we also see potential for further hotels connected to existing precincts in Auckland, Hamilton and Queenstown as part of master planning initiatives, and potentially a second hotel in Adelaide over time.

SkyCity recognises the value that it is creating through the development of a portfolio of hotels and remains keen to introduce an investment/development partner at an appropriate price and time. There is no immediate need or requirement to release capital from a partial sale or monetisation of our hotel assets and we have sufficient capacity to progress the current pipeline of initiatives.

Online Gaming

In May 2019, we announced that SkyCity, via a Maltese subsidiary, had agreed to partner with Gaming Innovation Group (a leading European based online gaming platform provider) to provide an offshore online casino gaming platform for New Zealand customers. The SkyCity online

gaming site was subsequently launched in early August 2019 and offers high-quality host responsibility and a brand name New Zealanders can trust.

Gaming Innovation Group provides SkyCity Malta with a full-suite online casino solution which includes a technical platform, gaming content, managed services and front-end development. The SkyCity online casino business is managed by an Online Director who is based in Europe.

SkyCity would support regulation of the New Zealand online casino market, including introducing an appropriate licensing regime for operators and imposing taxes and mandatory host responsibility requirements. While ultimately a regulated online gaming market remains the preferred solution for SkyCity, the launch of the SkyCity online casino is another step on the journey of pursuing opportunities to grow and diversifying our earnings, addressing a fast growing industry which is highly complementary to our land-based activities and offering customers a multi-channel gaming experience.

Other Forms of Entertainment

As an entertainment and hospitality provider, SkyCity is challenged to stay relevant in relation to new forms of entertainment competing for disposal income. Digital entertainment is obviously growing rapidly and, in addition to our foray into online gaming, we have also invested into New Zealand's leading broadcaster and operator of esports, Let's Play Live Media. We now own 100% of this business and, although it's a relatively small investment, given that esports is one of the fastest growing forms of entertainment globally (and particularly popular with millennials), we are hopeful that there will be synergies that we can develop to increase visitation to our properties as well as enhance brand awareness.

In addition, in 2020, our existing SkyCity Auckland Convention Centre becomes home to the All Blacks Experience and Weta Workshop, both providing unique, interactive customer experiences.

Federal Street will become an entertainment zone focussed on food, beverage and family/kids' entertainment ensuring long term relevance of our precinct. SkyCity considers itself privileged to be partnering with two of New Zealand's iconic global brands which, together with the Sky Tower, will create a must-see entertainment destination in Auckland, with more attractions to come.

FY19 Performance – Our Character and Culture Goals

At SkyCity, we need to continually focus on protecting and enhancing our social licence to operate. Following the progress made during FY18, we have continued to invest in key sustainability initiatives.

Pleasingly, we are starting to be recognised as a leader in these areas, culminating in being recognised at the Deloitte Top 200 Awards as the winner of the Diversity & Inclusion category for our Māori Leadership programme, Tahuna Te Ahi. We continue to actively promote women into leadership positions and are proud of the gender and cultural diversity we have across the business. We are also committed to providing safe, fun and progressive environments for our customers, suppliers and staff. We continue to deliver on our Group health and safety strategy, which is centred around preventing harm and building awareness. We remain focussed on youth development and supporting our most vulnerable staff.

At SkyCity, we are proud of, and rely on, our culture of compliance, which encourages people to focus on doing the right thing by themselves, their team mates, the company and stakeholders. A recent culture survey produced strongly positive results and underpins our refreshed staff values “Own it, Share it, Live it” - these were developed in consultation with staff and hence reflect what working at SkyCity means to them.

Outlook for FY20

Due to structural changes in the business (ie. the sale of SkyCity Darwin and Auckland car parks, conversion of the existing SkyCity Auckland Convention Centre and increased pre-opening costs in advance of the two main projects), direct comparability of FY20 earnings to the previous corresponding period will be challenging. We intend to establish a like-for-like base against which FY20 should be measured and we will endeavour to break down and present our FY20 results in a clear fashion enabling the market to assess the underlying performance of the Group.

Despite a more challenging and uncertain operating environment domestically and internationally, we continue to expect revenue growth across our various businesses, partially offset by increased cost pressures. We continually monitor the potential for an economic slowdown and currently believe there is more we can do to improve our performance and hence expect to achieve some earnings growth on a like-for-like basis.

We would describe FY20 and FY21 as transitory years for SkyCity as we ready and open the two new major projects. We have a strong platform to drive positive medium term earnings growth and a high-quality team focussed on delivery of our strategic plan. Our balance sheet is conservatively geared, our existing projects are funded and, whilst we continue to develop our Group master plans, we are yet to commit to anything new that could significantly impact us. We continue to invest for the future and look through the cycle to the earnings potential of the business in FY22/FY23 and beyond. In the meantime, we have stable and defensive earnings and pay an attractive dividend yield which should protect shareholder wealth.

Our Business Goals FY20 Priorities

Improve our operating performance	<ul style="list-style-type: none"> Continue growth in core Auckland gaming business Drive improved performance from Adelaide business Secure product changes for Hamilton gaming business Achieve further growth in international VIP gaming business (both tables and electronic gaming machines) Implement new information and communications technology (ICT) systems, including point-of-sale and rostering Continue to pursue operating efficiencies and mitigate external cost pressures
Optimise our existing portfolio	<ul style="list-style-type: none"> Progress New Zealand International Convention Centre/Horizon Hotel project and Adelaide expansion project within agreed timeframes and budgets, and continue preparation for the new operations associated with these two major projects Complete upgrade of Auckland VIP/premium gaming areas Enhance Auckland main gaming floor food and beverage facilities Progress evaluation and design of Auckland master plan and commence initial projects Progress evaluation and design of development opportunities in Hamilton and Queenstown (including any required regulatory approvals)

Our Business Goals FY20 Priorities

Grow and diversify our business	<ul style="list-style-type: none"> Launch offshore online casino business and support regulation of online casino activities in New Zealand Create separate internal structure for hotel business (both management and ownership) and evaluate new hotel opportunities Support development and opening of new entertainment attractions in Auckland
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Our Character and Culture Goals FY20 Priorities

Offer a great and safe place to work	<ul style="list-style-type: none"> Maintain a cohesive management team focussed on strengthening the SkyCity culture – one which supports employees to achieve their potential, be engaged and deliver an exceptional customer experience Continuous improvement in health and safety performance as evidenced by achievement of leading and lagging indicator targets Zero work-related fatalities on our sites and/or sites where SkyCity has primary control or management responsibilities Deliver employment opportunities for youth through the Project Nikau programme Maintain labour practices commensurate with an employer of choice Undertake safety engagement activities that promote active and visible safety leadership
Always put customers first	<ul style="list-style-type: none"> Implement facial recognition technology on gaming floors following the successful trial in FY19 Maintain best practice host responsibility standards across all properties Launch new customer website and app for New Zealand customers Develop digital web and mobile products for Adelaide business to bring in line with rest of the Group (for launch in FY21) Build foundations for a new customer data platform to provide more relevant insights and communications In preparation of the new customer data platform, continue to improve performance of SkyCity's Premier Rewards loyalty programme and customer experiences across each property
Be responsible leaders in our communities	<ul style="list-style-type: none"> Maintain leading position on diversity and inclusion through active engagement on issues and with stakeholder groups Measure and reduce SkyCity's carbon footprint and implement a carbon offset strategy for all operations in New Zealand and Australia by the end of FY20 Deliver year one of SkyCity's ethical supply chain roadmap

Delivering award-winning entertainment destinations



About SkyCity

SkyCity is New Zealand's largest tourism, leisure and entertainment company and is dual listed on the New Zealand and Australian stock exchanges.

As one of three major publicly listed casino operators in Australasia, SkyCity operates integrated entertainment complexes in New Zealand (in Auckland, Hamilton and Queenstown) and in Adelaide, Australia.

In addition to casino gaming facilities at each of its complexes, SkyCity also offers premium restaurants, bars and conference facilities which appeal to both domestic and international visitors alike. Additionally, SkyCity offers award-winning hotel accommodation in Auckland.

SkyCity employs over 5,000 staff across its operations in New Zealand and Australia, with around 3,500 of them based at its flagship property in Auckland across 200+ job types. Upon completion of the New Zealand International Convention Centre and Horizon Hotel projects in Auckland and the A\$330 million expansion project in Adelaide (both due for completion in 2020), SkyCity's workforce will significantly increase in size.

An Exciting New Era

July 2019 signalled the start of an exciting new era for SkyCity with the rollout of a refreshed brand and logo. The new look SkyCity brand represents the leading entertainment business we are today

and the exciting new experiences across our gaming, hospitality and entertainment portfolios coming soon. Our world-class casinos, hotels, attractions, conference facilities and hospitality outlets are naturally vibrant epicentres of our communities and we have become synonymous with entertainment.

Our new brand logo reflects the sum of many parts of our business and the 'k' includes a nod to our most famous landmark, the Sky Tower. The new brand logo also pays homage to the stars of the Southern Hemisphere and, in many instances, incorporates the use of light – just like the light we reflect into our communities and our customers' lives.

The SkyCity brand and logo have been refreshed but our name, exceptional service and all the benefits our customers know and love remain unchanged.

The brand rollout comprises several programmes of work to address the thousands of touchpoints across our properties. Adopting a sustainable approach to the change, collateral will be replaced as needed with New Zealand's rebrand expected to be completed by early 2020. Our Adelaide property will be rebranded in 2020 to coincide with major openings there.




OUR HISTORY AT A GLANCE

- 2019**
 SkyCity sells SkyCity Darwin
 SkyCity online casino launched offshore
- 2018**
 Construction commences on the Adelaide Casino expansion project
- 2016**
 The first sod was turned on the New Zealand International Convention Centre/Horizon Hotel site
- 2013**
 SkyCity acquires SkyCity Wharf in Queenstown
- 2012**
 SkyCity acquires full ownership of SkyCity Queenstown
- 2005**
 SkyCity acquires full ownership of SkyCity Hamilton
- 2004**
 SkyCity acquires SkyCity Darwin
- 2002**
 SkyCity Hamilton opens
- 2000**
 SkyCity Queenstown opens
 SkyCity acquires Adelaide Casino
- 1999**
 SkyCity lists on the Australian stock exchange
- 1998**
 Harrah's management contract ends and SkyCity becomes a New Zealand-managed operation
- 1997**
 Sky Tower opens in Auckland
- 1996**
 SkyCity opens its flagship SkyCity Auckland complex with Harrah's Entertainment (now Caesars Entertainment), the largest casino entertainment operator in the United States, as the operator
 SkyCity lists on the New Zealand stock exchange
- 1994**
 Construction of the SkyCity Auckland complex commences



Auckland

Property	SkyCity Auckland, New Zealand	
General Manager	 Michael Ahearne, Group Chief Operating Officer	
Opened	1996	
Casino Venue Licence	Runs until 2048*	
Facilities	<ul style="list-style-type: none"> • Casino • Hotels • Food and beverage • Entertainment • Conventions • esports broadcasting studio 	<ul style="list-style-type: none"> • Out-catering • Car parking • Sky Tower • Theatre • Telecommunications and broadcasting facilities
Licensed Gaming Product	<ul style="list-style-type: none"> • 1,877 electronic gaming machines • 150 table games • 240 automated table games 	
Workforce	~3,500 staff	
FY19 Revenue	\$567.9 million (reported) \$606.7 million (normalised)	

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134-138 of the New Zealand Gambling Act 2003.

Located in the heart of Auckland's CBD, SkyCity Auckland is the flagship property of the SkyCity Entertainment Group and features a casino, two award-winning hotels – the SkyCity Grand Hotel and SkyCity Hotel, over 20 bars and restaurants, a convention centre, a 700-seat theatre and the iconic Sky Tower.

Opened in 1997, the 328-metre tall Sky Tower has been an icon of Auckland's skyline for over 20 years and attracts over 500,000 visitors each year. As the tallest free-standing structure in the Southern Hemisphere, visitors can enjoy breathtaking views right across Auckland from the Sky Tower's two observation decks or while dining in one of three restaurants in the Sky Tower, including Auckland's only

360-degree revolving restaurant. At the very top of the Sky Tower, a 93-metre communications mast accommodating VHF, UHF, AM and FM broadcasting and telecommunications antennas provides telecommunications and broadcasting facilities to the telecommunications industry.

The Sky Tower is also home to New Zealand's only esports broadcasting studio.

SkyCity is currently investing more than \$700 million within the SkyCity Auckland precinct with the development of the New Zealand International Convention Centre, an adjacent laneway, over 1,300 additional car parking spaces and the new 300-room, 5-star Horizon Hotel – all due for completion in 2020.

The New Zealand International Convention Centre will be New Zealand's premier convention centre enabling New Zealand to attract major international conferences as well as having capability for sporting events, theatre and musical performances. The centre is designed to be a welcoming, open building complemented by a fresh new streetscape for local, national and international visitors alike to enjoy.

Two of the largest pieces of public art ever created in New Zealand, commissioned by SkyCity from New Zealand artists Sara Hughes and Peata Larkin, will adorn the exterior of the New Zealand International Convention Centre and span a total of 5,760sqm.

The 5-star Horizon Hotel will bring 300 new high-end rooms to the Auckland CBD and will be uniquely connected via an air bridge over Hobson Street to three city centre blocks across the New Zealand International Convention Centre and SkyCity Auckland's entertainment precinct. It will also be located directly above a new retail and dining laneway that will connect Nelson and Hobson Streets, and adjacent to Federal Street's award-winning restaurants and bars.

With a pipeline of events coming to Auckland, including the opening of the New Zealand International Convention Centre, Horizon Hotel is well positioned to play an important role in supporting the City's growth.

The design of the hotel emanated from the opportunity to expand the horizons of the site by curving the building to maximise the views from all guest rooms – resulting in the extraordinary curved glass façades of the hotel that feature 300 glass fins that capture the clear marine light of the Auckland isthmus. The interior continues this theme with grand public spaces featuring natural stones, marbles and timbers, with the horizon-like curves of the guest room environments creating a unique and special experience.

Over the last financial year, we have continued to progress our master plan for the SkyCity Auckland complex with ongoing concept development and feasibility analysis to explore opportunities for further accommodation, food and beverage,

new gaming spaces and entertainment offerings. Our vision is for SkyCity Auckland to be a customer-centred destination with an ecosystem of mutually beneficial places – buildings, experiences and public spaces.

As part of this broader master planning programme, SkyCity has acquired over \$100 million of property around the SkyCity Auckland precinct over the last two years – with the SkyCity Auckland footprint now spanning the majority of three blocks in the Auckland CBD (~3.5 hectares) with ~295,000sqm of gross floor area.

FY19 PERFORMANCE

SkyCity Auckland achieved robust normalised EBITDA growth in FY19 – up 2.8% to \$267.9 million despite a more challenging operating environment, a strong comparative in 2H19 and ongoing disruption in the Auckland CBD from various development projects.

Gaming revenue was up 4.9%, with the standout feature being strong growth in our electronic gaming machines of 7.4% due to investment in product mix and configuration and better marketing and positive changes to our smoking decks.

Non-gaming revenue was flat year-on-year with improved performances in food and beverage offset by weaker hotel revenue per available room (RevPar) as new hotel supply came into the Auckland market ahead of major tourism, commercial and entertainment developments which have been delayed (eg. the New Zealand International Convention Centre and Commercial Bay).

Margins in Auckland were stable on a like-for-like basis despite increased cost pressures, such as the implementation of a new Auckland-wide hotel 'bed tax' and our ongoing transition to a \$20 minimum wage for New Zealand staff by 2020.

NEW ZEALAND INTERNATIONAL CONVENTION CENTRE

The New Zealand International Convention Centre will operate as a carbon neutral venue following completion of construction – the only one of its kind in the Asia Pacific region.

32,500sqm

gross floor area

6,674sqm

of divisible hall space suitable for theatre, exhibition or one-off events for up to 4,000 people

2,700sqm

of meeting space – configurable for up to 33 meeting spaces at any one time with additional pre-function spaces in the adjacent laneway

2,850-seat theatre

divisible into two 1,200-seat theatres, with retractable seating and flat floor options

ACHIEVEMENTS


The Sugar Club and The Grill by Sean Connolly were each awarded two hats, and Depot, Gusto at the Grand and MASU by Nic Watt retained one hat, in the 2018 Cuisine Good Food Awards (October 2018)



Depot named Best Casual Dining Restaurant in 2018 Cuisine Good Food Awards (October 2018)



East Day Spa, located in the SkyCity Grand Hotel, wins New Zealand's Best Hotel Spa at the World Spa Awards 2018 (October 2018)



Sky Tower achieves Qualmark Gold Award – a Gold Award recognises the best sustainable tourism businesses in New Zealand and identifies businesses leading the way in making the New Zealand tourism industry a world-class sustainable visitor destination (December 2018)



MASU by Nic Watt, Depot and Gusto at the Grand named in Metro Magazine's 2019 Top 50 Restaurants (April 2019)



Huami named in Metro Magazine's 2019 Top 50 Bars (April 2019)



SkyCity Hotel, SkyCity Grand Hotel and the Sky Tower awarded a Trip Advisor Certificate of Excellence for 2019 (May 2019)




SkyCity Hotel and SkyCity Grand Hotel awarded Trip Advisor's 2019 Travellers' Choice Award (May 2019)



Huami was awarded the Wine Spectator Best of Award of Excellence for 2019 for the second year in a row (July 2019)

Hamilton

Property	SkyCity Hamilton, New Zealand
General Manager	 Michelle Baillie
Opened	2002 Increased ownership from 70% to 100% in 2005
Casino Venue Licence	Runs until 2027*
Facilities	<ul style="list-style-type: none"> • Casino • Food and beverage • Entertainment • Conventions • Car parking • Tenpin bowling
Licensed Gaming Product	<ul style="list-style-type: none"> • 339 electronic gaming machines • 23 table games
Workforce	~400 staff
FY19 Revenue	\$54.8 million (reported) \$61.8 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.

Situated within Hamilton's historic Chief Post Office, in a building designed to maximise a superb riverside location on the banks of the Waikato River, SkyCity Hamilton features a casino, eight bars and restaurants, a conference centre and Hamilton's only tenpin bowling alley.

The SkyCity Hamilton business has been on a transformational journey over the last few years with the opening of a new food and beverage development in 2015, the addition of a modern tenpin bowling alley, Bowl and Social, in 2016 and the addition of X-Golf, a virtual golf simulator, and new café in 2019.

Over the last financial year, we have progressed our master plan for the SkyCity Hamilton complex to explore further opportunities to leverage the property's riverbank location, including a potential hotel development and additional food and beverage and entertainment offerings.

We have also continued to explore opportunities to optimise the product mix at SkyCity Hamilton in response to customer demand for electronic


gaming machines (which are capacity constrained over weekends) in preference to tables, which are underutilised. The hotel feasibility also relies on hosting out of town gaming customers over the weekend, so the extra gaming machine product is necessary to satisfy this potential increase in demand. In this regard, during the year, we applied to the New Zealand Gambling Commission to deploy 60 additional gaming machines at SkyCity Hamilton in substitution of three existing Blackjack table games.

FY19 PERFORMANCE

SkyCity Hamilton achieved EBITDA of \$26.9 million consistent with a record prior period with solid electronic gaming machine performance and improved contribution from food and beverage.

Hamilton remains capacity constrained, with insufficient electronic gaming machines during peak periods limiting our ability to sustain the above-trend growth achieved over previous periods.

Adelaide

Property	Adelaide Casino, Australia
General Manager	 <p>David Christian</p>
Acquired	2000
Licensing Agreement	Runs until 2085*
Facilities	<ul style="list-style-type: none"> • Casino • Food and beverage • Entertainment
Licensed Gaming Product	<ul style="list-style-type: none"> • 828 electronic gaming machines (allowance for 1,500) • 82 table games (allowance for 200) • 67 automated table games
Workforce	~1,000 staff
FY19 Revenue	<p>A\$137.1 million (reported)</p> <p>A\$148.7 million (normalised)</p>

*The Approved Licensing Agreement between the Minister for Business Services and Consumers and SkyCity Adelaide Pty Limited provides Adelaide Casino with exclusive rights to provide casino gaming (except for interactive gambling) in South Australia until 30 June 2035.

Located in the historic Railway Station building on the banks of the River Torrens, Adelaide Casino is South Australia's only casino destination.

SkyCity is currently investing A\$330 million to transform the Adelaide Casino into a world-class integrated entertainment hub on the Festival Plaza forecourt adjacent to the Torrens River that will include a new luxury hotel, wellness centre with a day spa, pool, sauna and gym, new VIP gaming facilities, three new bars and three additional signature restaurants – all due for completion in 2020. SkyCity has an agreement with developer Walker Corporation to lease 750 car parks in an adjacent car park which is expected to be opened contemporaneous with the expansion in 2020.

The current Adelaide Casino, housed in the iconic Adelaide Railway Station, is also being revitalised and restored to improve the layout and experience

for customers with a three-storey glass atrium connecting the heritage and new buildings.

After being overlooked for more than a decade, SkyCity is transforming the former Overland Dining Hall in the Railway Station building through a A\$6 million restoration into a new, all-hours bar and dining hall, The Guardsman, which is due to open later this year. The new venue pays homage to the Railway Station's rich heritage and will feature a grand central bar, open kitchen and a coffee front.

The South Australian Government's broader review of gambling regulation in South Australia is expected to be completed soon. SkyCity remains optimistic about the introduction of ticket-in ticket-out (TITO) technology on its main casino floor and the use of note acceptors.

ADELAIDE CASINO EXPANSION

Investment of

A\$330 million

~1,000 jobs

created during construction from 2018–2020

An additional

800 ongoing positions


will become available when construction is complete, taking the total number of employees to ~2,000

FY19 PERFORMANCE

David Christian commenced as General Manager, Adelaide Casino, during 2H19 bringing considerable operational experience to the role and an expertise in delivering and opening new mixed-use casino developments.

Adelaide Casino's EBITDA was up slightly on a like-for-like basis (after adjusting for A\$1.7 million of staff restructuring costs incurred during 1H19) despite the disruption caused by building works around the property (including SkyCity's A\$330 million expansion project).

Queenstown

Property	SkyCity Queenstown and SkyCity Wharf, New Zealand
General Manager	 Jono Browne
Opened/Acquired	Opened Queenstown in 2000 and increased ownership from 60% to 100% in 2012 Acquired Wharf in 2013
Casino Venue Licence	Runs until 2025* for Queenstown Runs until 2024* for Wharf
Facilities	<ul style="list-style-type: none"> • Casino • Food and beverage • Entertainment • Conventions
Licensed Gaming Product	<ul style="list-style-type: none"> • 86 electronic gaming machines (Queenstown) • 12 table games (Queenstown) • 74 electronic gaming machines (Wharf) • 6 table games (Wharf)
Workforce	~100 staff
FY19 Revenue	\$11.6 million (reported) \$13.1 million (normalised)

*The casino venue licence can be renewed for a further period of 15 years pursuant to sections 134–138 of the New Zealand Gambling Act 2003.

SkyCity's two Queenstown casinos, SkyCity Queenstown and SkyCity Wharf, are located in central Queenstown, surrounded by the majestic Southern Alps.

As Queenstown is an attractive destination for SkyCity's International Business customers, SkyCity continues to explore options to create an improved VIP/premium facility in Queenstown. In June 2019, SkyCity purchased land on the shores of Lake Wakatipu in Queenstown, which the company intends to use to develop a 5-star hotel to complement its existing entertainment facilities in Queenstown and further attract international visitors to Queenstown.

Plans for the hotel development are being finalised and the regulatory framework to achieve the proposed development will be investigated in the year ahead.

FY19 PERFORMANCE

Our combined Queenstown properties grew earnings by 12.5% to \$2.3 million driven by increased visits from premium customers and operating leverage, albeit with a weaker 2H19 due to the later start to the winter season.

International Business turnover at Queenstown was up 47.2% highlighting the attractiveness of the location for premium/VIP customers and reinforcing our strategy to develop a new luxury hotel and International Business salons in that destination.

International Business

General Manager



Stewart Neish
Group General Manager – International Business

Facilities	Premium gaming facilities at SkyCity Auckland, SkyCity Adelaide and SkyCity Queenstown
FY19 Revenue	\$42.3 million (reported) \$190.5 million (normalised)

SkyCity's International Business division caters for high-net worth international players and junkets who visit casinos as part of their leisure activities.

The flagship SkyCity Auckland property features several premium gaming spaces, including the 'Grand Horizon' VIP gaming salons opened in 2016 in the SkyCity Grand Hotel and 1,800 sqm of luxury high-end gaming space opened in 2011 above the SkyCity Hotel.

Located above the SkyCity Hotel, the 'Horizon Suites' feature four luxurious hotel suites for exclusive use, three of which have adjoining private accommodation. Each suite features a private gaming salon and each salon has its own private dining facilities, bar and massage chairs, as well as its own lounge area and outdoor balcony. Gaming dealers are available on request for customers, who enjoy the full range of gaming options offered at SkyCity Auckland in their own private salon.

As part of the A\$330 million Adelaide Casino expansion project, SkyCity is constructing additional VIP luxury gaming facilities to complement the existing 'Horizon' premium gaming salon opened in Adelaide in 2015.

There remains potential for further growth in International Business over the medium to long term due primarily to the attractiveness of New Zealand as a tourist destination and

good connectivity. SkyCity intends to continue to invest prudently in International Business to enhance sustainable shareholder returns.

The bulk of SkyCity's business is stable and low risk, originating from local/domestic players. The International Business provides incremental growth, but due to its inherent volatility, is likely to be maintained as a relatively small, but important, contributor to overall Group profit.

FY19 PERFORMANCE

SkyCity's International Business division delivered turnover of \$14.1 billion up 18.9%, with normalised EBITDA of \$41.7 million and reported EBITDA of \$3.0 million due to a low casino win rate of 1.00%. The casino win rate, whilst improved in 2H19 vs 1H19, was still below the theoretical of 1.35%. It is probable that the strong turnover achieved across the year was aided, in part, by our customers' luck and hence greater frequency of bet turns (turnover).

The result in International Business was driven by a number of factors, including higher average spend per customer. We also significantly improved the quality of our sales and marketing teams. Consistent with the prior period, the International Business experienced very few bad debts and continues to have a conservative approach to credit.

Protecting the value of our business



Delivering strong and sustainable earnings across the SkyCity Group.

Our Risk Profile and Management

SkyCity operates in a dynamic and challenging environment with risks and opportunities both locally and internationally.

The SkyCity Board is ultimately responsible for the governance of the Group's risk management, which includes formulating the Group's risk appetite and setting and monitoring risk tolerance.

The company maintains a risk management framework for the identification, assessment, monitoring and management of risk to the company's business. As part of this framework, SkyCity maintains an independent, centrally-managed Group Risk function which evaluates and reports on risks and controls across the Group. The Group Risk team collates, assesses and monitors the risks the Group faces by way of a Top Risk Profile, which is updated regularly. The Top Risk Profile is a current view of the most significant emerging, or potential risks facing

the Group, as well as a summary of how those risks are being mitigated or prepared for, and is a critical input to strategic planning, insurance renewal, investment and resource prioritisation, and assurance planning.

Management reports to the Audit and Risk Committee and SkyCity Board on the effectiveness of the company's management of its material business risks at least annually.

SkyCity's ability to create and 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 outlined below.

Material Exposure	Managing Risk
<p>Highly Regulated Industry</p> <p>SkyCity operates in the casino industry, which is highly regulated. The regulatory framework is subject to change from time to time, which may impact the environment in which SkyCity operates and the costs of operating its business.</p> <p>Potential examples of such changes include unfavourable changes to gaming and/or smoking legislation and regulations, licence conditions and gaming taxes and levies.</p>	<p>The risk of regulatory change is mitigated by maintaining frequent engagement with the governments and regulators in each jurisdiction in which SkyCity operates and with industry stakeholders.</p> <p>Targeted 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.</p>
<p>Loss of Casino Licence</p> <p>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 suspension, cancellation or expiry of the Auckland casino licence, would have a significant negative impact on SkyCity.</p> <p>The suspension, cancellation or expiry of any of SkyCity's other casino licences would also have a negative impact on SkyCity.</p>	<p>SkyCity has mitigated this risk by securing an extension of the Auckland casino licence to 30 June 2048.</p> <p>The Adelaide casino licence currently runs until 30 June 2085 and extensions to the Hamilton and Queenstown casino licences are intended to be sought in accordance with the renewal provisions of the Gambling Act 2003 (New Zealand) in due course.</p> <p>In addition, SkyCity mitigates the risk by maintaining a robust compliance culture and framework to ensure compliance with licence conditions and gaming legislation and regulations, and maintaining engagement with the governments and regulators, in each jurisdiction in which SkyCity operates.</p>

Material Exposure

Managing Risk

Economic and Business Volatility

The general economic conditions in the markets that SkyCity operates in, in addition to volatility in certain parts of the business, can significantly influence the financial performance of the company.

To mitigate these risks, SkyCity continually monitors its external environment, including the geo-political and global economic landscape, and has a robust liquidity management framework.

SkyCity also continually reviews the optimal mix for its business activities to ensure it has a balanced portfolio reflecting its risk appetite.

Customer and Innovation Risk

SkyCity recognises that it is important to consider evolving customer demographics and preferences in both its gaming and non-gaming operations, including new offerings, technologies and innovation.

To ensure SkyCity remains relevant to its customers, key strategic projects are currently being progressed, with a focus on emerging industry trends and opportunities for leveraging new technology and demographic changes.

Online delivery of goods and services is increasingly the norm across many industries and SkyCity's business is no exception. SkyCity has therefore, over the last financial year, been developing an online gaming strategy as a logical extension of its land-based casino operations. In May 2019, SkyCity announced its plans to launch an offshore online gaming business via a Maltese subsidiary company and, subsequently, launched its new offshore SkyCity casino gambling site in August 2019.

In 2018, SkyCity acquired a 40% interest in Let's Play Live Media Limited, New Zealand's leading broadcaster and operator of esports, and in conjunction with them launched Australasia's first esports studio in the Sky Tower. In July 2019, SkyCity acquired a further 60% and took full ownership of Let's Play Live Media Limited.

New forms of entertainment are also set to open at SkyCity Auckland in early 2020, including:

- the All Blacks Experience, a joint venture between New Zealand Rugby and Ngāi Tahu Tourism, which will provide visitors with a state-of-the-art, interactive experience that will showcase the All Blacks. Through the use of innovation and technology, it will provide a full sensory, interactive, and immersive experience for all New Zealanders and visitors to celebrate New Zealand's rugby heritage, achievements and culture – bringing together the stories of our rugby legends, the drama and excitement of test match rugby, and the mastery and legacy of the All Blacks; and
- Academy Award-winning design and effects company Weta Workshop is developing an immersive attraction to complement its behind-the-scenes tours at their Miramar headquarters in Wellington.

Master planning also continues to be progressed for each of the SkyCity sites to explore opportunities for further accommodation, food and beverage, new gaming spaces and entertainment offerings.

Material Exposure

Managing Risk

Technology Risk

Technology represents a critical platform to SkyCity's business – not only for facilitating/enabling its operations, but also mitigating cyber-threats and ensuring compliance with regulatory and licence requirements.

To mitigate technology risk, SkyCity has invested in a significant programme over recent years to improve technology systems, infrastructure, capability and data management, and to improve cyber-resilience. SkyCity continues to invest in these areas as required.

In addition, there is also significant focus on technology project governance, risk management and assurance.

Development and Project Risk

With two significant growth projects underway, the New Zealand International Convention Centre and Horizon Hotel development in Auckland and the Adelaide Casino expansion project, as well as master planning across the Group, SkyCity recognises that robust project management is critical to successful delivery of these projects.

SkyCity has established strong governance and oversight frameworks for both current and future major growth projects, including the establishment of a dedicated Board sub-committee to oversee the New Zealand International Convention Centre and Horizon Hotel development and a separate dedicated Board sub-committee to oversee the Adelaide Casino expansion project.

SkyCity also ensures robust governance over capital allocation and shareholder returns.

Peter Alexander was appointed SkyCity's Chief Property Officer in January 2019 and is responsible for the Group's property investment and development activities in New Zealand and Australia. He has more than 30 years' experience in investment management, primarily in property investment and development, in New Zealand and overseas.

Health and Safety Risk

SkyCity has Health and Safety Risk Registers in place that identify risks into two key categories – high consequence/low frequency (being critical risks) and low consequence/high frequency risks.

Due to the hospitality and retail focus of SkyCity's business, a high percentage of the company's health and safety risk falls into the low consequence/high frequency category, which includes risks such as slips/trips and cuts from manual tasks.

To mitigate critical risks (which include working at heights, confined spaces, electrical, moving plant, fire and explosion), SkyCity has in place extensive safe systems of work to effectively control the potential for an incident. Ongoing safety assurance activities seek to test these controls and, where appropriate, strengthen critical risk controls ensuring SkyCity keeps its people and visitors safe.

SkyCity has harm prevention programmes in place which are aimed at reducing minor injuries and promoting wellness amongst SkyCity's employees and contractors.

SkyCity's New Zealand properties are tertiary accredited under the Accident Compensation Corporation (ACC) Accredited Employers Programme and its Adelaide site is a registered self-insured employer. The company undertakes assurance activities to maintain certifications and continually improve its health and safety performance.

Keeping us
on track
with sound
governance
and strong
leadership



Our Board



ROB CAMPBELL
Chair

Member of the Audit and Risk Committee
Member of the People and Culture Committee
Member of the Sustainability Committee
Chair of the Governance and Nominations Committee

Appointed a director of SkyCity in June 2017
and Chair of the SkyCity Board in January 2018

Rob is currently the Chair of Summerset Group Holdings Limited, Tourism Holdings Limited and WEL Networks Limited and a director of Precinct Properties New Zealand Limited and Ultrafast Fibre Limited. Rob has over 30 years' experience in capital markets and is a director of or advisor to a range of investment fund and private equity groups in New Zealand, Australia, Hong Kong and the United States of America.

Rob holds a Bachelor of Arts with First Class Honours in Economic History and Political Science and a Masters of Philosophy in Economics.



BRUCE CARTER
Deputy Chair

Chair of the Audit and Risk Committee
Member of the Governance and Nominations Committee

Appointed a director of SkyCity in October 2010

Based in Adelaide, Australia, Bruce is currently Chair of ASC Pty Limited (Australian Submarine Corporation) and Aventus Capital Limited and a director of Bank of Queensland Limited and Genesee and Wyoming Inc (US) as well as a number of private companies and government bodies.

Bruce was one of the founding partners of Ferrier Hodgson in Adelaide. He was formerly a partner at Ernst & Young and has more than 30 years' experience in corporate restructuring and insolvency.

Bruce is a Fellow of Chartered Accountants Australia and New Zealand.



**SUE SUCKLING**

Director

Chair of the Sustainability Committee**Member of the Governance and Nominations Committee****Appointed a director of SkyCity in May 2011**

Sue Suckling is an independent director and consultant with over 25 years in commercial corporate governance. She is recognised for her leadership in the technology innovation space and her deep governance experience.

Sue is currently the Chair of the Insurance & Financial Services Ombudsman Scheme Commission, Jacobsen Holdings Limited, Blinc Innovation Limited, Brannigans Consulting Limited and Jade Software Corporation Limited. Previous governance roles include chairing NIWA, the New Zealand Qualifications Authority and AgriQuality Limited, and as a director of Restaurant Brands Limited, Westpac Investments Limited and the New Zealand Dairy Board. She holds an OBE for her contribution to New Zealand business.

Sue is a Chartered Fellow of the New Zealand Institute of Directors and a Companion of the Royal Society of New Zealand.

**RICHARD DIDSBURY**

Director

Member of the Sustainability 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, Kiwi Property Group Limited, which is now the largest property vehicle listed on the NZX. He is Chair of NX2 (the private sector consortium involved in the Puhoi to Warkworth motorway project, a Private Public Partnership). He is well known for his work as a past president of the Property Council of New Zealand and was previously Chair of Committee for Auckland Limited. His previous governance roles include being a director of Infrastructure Auckland and Tourism Auckland.

**JENNIFER OWEN**

Director

Member of the Audit and Risk Committee**Member of the People and Culture Committee****Member of the Governance and Nominations Committee****Appointed a director of SkyCity in December 2016**

Jennifer Owen is a Principal of Owen Gaming Research, an independent research firm specialising in the gaming and wagering markets. She has more than 30 years' experience in the areas of accountancy, audit, finance, treasury and equities research.

Jennifer has specific specialist knowledge of the New Zealand and Australian gaming and entertainment sectors through her roles as Director of Equities Research at Citigroup Global Markets, with a specialist focus on the Australasian gaming sector, and as Equities Research Analyst at Macquarie Group focussing on the tourism/leisure sector. She has been engaged in research, analysis, and more recently, consulting in the sector since 1996, and has a wide network within the gaming industry and a strong understanding of industry and investor issues. Her previous governance roles include serving on the Board of Racing NSW and the Investment Committee of the Salvation Army.

Jennifer holds a Bachelor of Business from the Queensland Institute of Technology and a Masters in Business Administration from the University of Queensland, is a graduate of the Australian Institute of Company Directors' Diploma course and is a member of Chartered Accountants Australia and New Zealand.

**MURRAY JORDAN**

Director

Chair of the People and Culture Committee**Member of the Governance and Nominations Committee****Appointed a director of SkyCity in December 2016**

Murray Jordan is currently a director of Chorus Limited and Metcash Limited, an ASX listed wholesale distributor specialising in food, grocery and hardware based in Australia, a director of Stevenson Group Limited, a family owned New Zealand business specialising in building products and quarrying, and a trustee of the Starship Foundation, Foodstuffs' Members Protection Trust and The Foodstuffs Co-operative Perpetuation Trust.

Prior to embarking on a governance career in 2015, he held various senior management roles at Foodstuffs Limited from 2004 to 2015, including Managing Director of Foodstuffs North Island and Managing Director and General Manager Retail, Sales and Performance of Foodstuffs Auckland Limited. In 2013, he led the merger of the Auckland and Wellington businesses of Foodstuffs to create what is now known as Foodstuffs North Island and established and oversaw the integration programme.

His early career was in the property sector, including as General Manager of Telecom NZ's property business and General Manager of AMP Capital Investors NZ Limited's property portfolio. Murray has a Masters degree in Property Administration from the University of Auckland.





From left to right:
Glen McLatchie, Michael Ahearne, Liza McNally, Graeme Stephens, Claire Walker,
Peter Alexander, Simon Jamieson, Rob Hamilton and Jo Wong

Our Senior Leadership Team

GRAEME STEPHENS Chief Executive Officer

Graeme joined SkyCity as Chief Executive Officer in May 2017, bringing with him significant expertise in the gaming, hospitality, and leisure industries.

Prior to joining SkyCity, Graeme was Chief Executive Officer of Sun International, a casino, resorts and entertainment company listed on the Johannesburg Stock Exchange. Under his leadership, the company rebalanced its portfolio, diversified into growth areas in both South Africa

and Latin America, redeveloped its flagship resort in Sun City and built a new casino resort near Pretoria.

An accountant by profession and with more than 10 years' experience in banking and corporate finance, Graeme was appointed Senior Vice President of New Business Development at Kerzner International in 2003 and was responsible for a number of global hospitality projects before joining Sun International in 2011.

ROB HAMILTON Chief Financial Officer

Rob joined SkyCity as Chief Financial Officer in October 2014 and is responsible for the financial management of SkyCity, including reporting, treasury, risk management and corporate development. He also oversees SkyCity's International Business and Information and Communications Technology function and helps to drive the strategic direction of the SkyCity Group.

Rob is a respected member of the finance community with more than 20 years' experience at First NZ Capital, where he led the investment banking team. He is currently a non-executive director of Tourism Holdings Limited.

Rob holds Bachelor degrees in Commerce and Science and is on the Board of Trustees for Auckland Grammar School.

MICHAEL AHEARNE Chief Operating Officer

Michael joined SkyCity in December 2017 as Group Chief Operating Officer and is responsible for overseeing the operations and driving value across SkyCity's five properties in New Zealand and Australia.

Prior to SkyCity, Michael held a number of senior operational and product leadership roles at Paddy Power Betfair, one of the world's leaders in sports betting and gaming. Prior to this, Michael enjoyed a 13-year career in the Australasian gaming and entertainment sector – ten years of which were spent at The Star Casino, Sydney, where he held a variety of senior management positions and, following that, three years as Chief Operating Officer for Aristocrat in the Australia and New Zealand regions.

Michael is a qualified accountant and holds an MBA from the University of Technology, Sydney.

CLAIRE WALKER
Chief People and Culture Officer

Claire was appointed General Manager Human Resources in August 2016 and Chief People and Culture Officer in April 2019. She is responsible for leading the development and implementation of best practice human resource strategy across SkyCity. She also has executive responsibility for sustainability at SkyCity.

Prior to joining SkyCity in 2016, Claire was Chief People Officer at Sanford Limited where she established the human resources function and led the sustainability and integrated reporting activities for the organisation and, prior to that, Claire led the human resources and employee relations function for the SkyCity Auckland business. Claire has also held senior human resource roles with Carter Holt Harvey and Downer after several years working in the education sector.

JO WONG
General Counsel and Company Secretary

Jo joined SkyCity as Senior Legal Counsel in January 2009 and was subsequently appointed as Deputy General Counsel before being appointed as General Counsel and Company Secretary in September 2016. As General Counsel and Company Secretary, Jo is responsible for SkyCity's legal, company secretarial, regulatory affairs and anti-money laundering functions.

Jo has more than 20 years' experience in both private practice and in-house legal roles. Before joining SkyCity in 2009, she held General Counsel and Group Corporate Counsel roles in the New Zealand financial services industry and was a Senior Solicitor at Russell McVeagh, one of the leading law firms in New Zealand.

Jo is a graduate of the 2017 Global Women Breakthrough Leaders Programme, is a member of New Zealand Asian Leaders and holds a Bachelor of Laws and a Bachelor of Arts (Criminology and Japanese) from Victoria University of Wellington.

SIMON JAMIESON
General Manager NZICC

Since joining SkyCity in September 2007, Simon has held a number of roles, including General Manager Adelaide Casino, General Manager Hotels SkyCity Auckland and Acting General Manager SkyCity Auckland.

As General Manager NZICC, Simon oversees the development of SkyCity's New Zealand International Convention Centre and Horizon Hotel project in Auckland. He is also responsible for health and safety at SkyCity.

With more than 30 years' experience in large-scale hospitality businesses, Simon brings a wealth of commercial experience and tourism know-how to the SkyCity business.

LIZA MCNALLY
Chief Marketing Officer

Liza joined SkyCity in January 2018 as Chief Marketing Officer, bringing with her over 20 years of marketing expertise.

Hailing from Australia, Liza's experience includes senior positions in both Sydney and Auckland with a number of senior marketing and sales positions within media, entertainment and telecommunications organisations. These include News Corp Australia, Telecom/Spark New Zealand and New Zealand Media & Entertainment (NZME) as well as a period of time running her own consulting firm.

With her broad marketing background, Liza brings holistic thinking to our marketing efforts with particular focus on brand, digital, customer and loyalty.

Liza is currently a non-executive director of AFL New Zealand and a trustee of the Auckland Farmers Santa Parade.

GLEN MCLATCHIE
Chief Information Officer

Glen joined SkyCity in 2016 as Chief Information Officer and is responsible for lifting the digital capability of the organisation to be able to respond to future innovation initiatives and growth strategies.

Prior to joining SkyCity, Glen was General Manager ICT with Meridian Energy where he transformed and modernised their aging technology footprint and digital capability. He has 25 years of technology experience from across several industries globally, having worked in and out of the UK, France, USA, Australia, Malaysia, India, China and the Middle East.

Glen holds a Master of Information Systems from Swinburne University of Technology, Australia, and a Bachelor of Business Studies from Massey University, New Zealand.

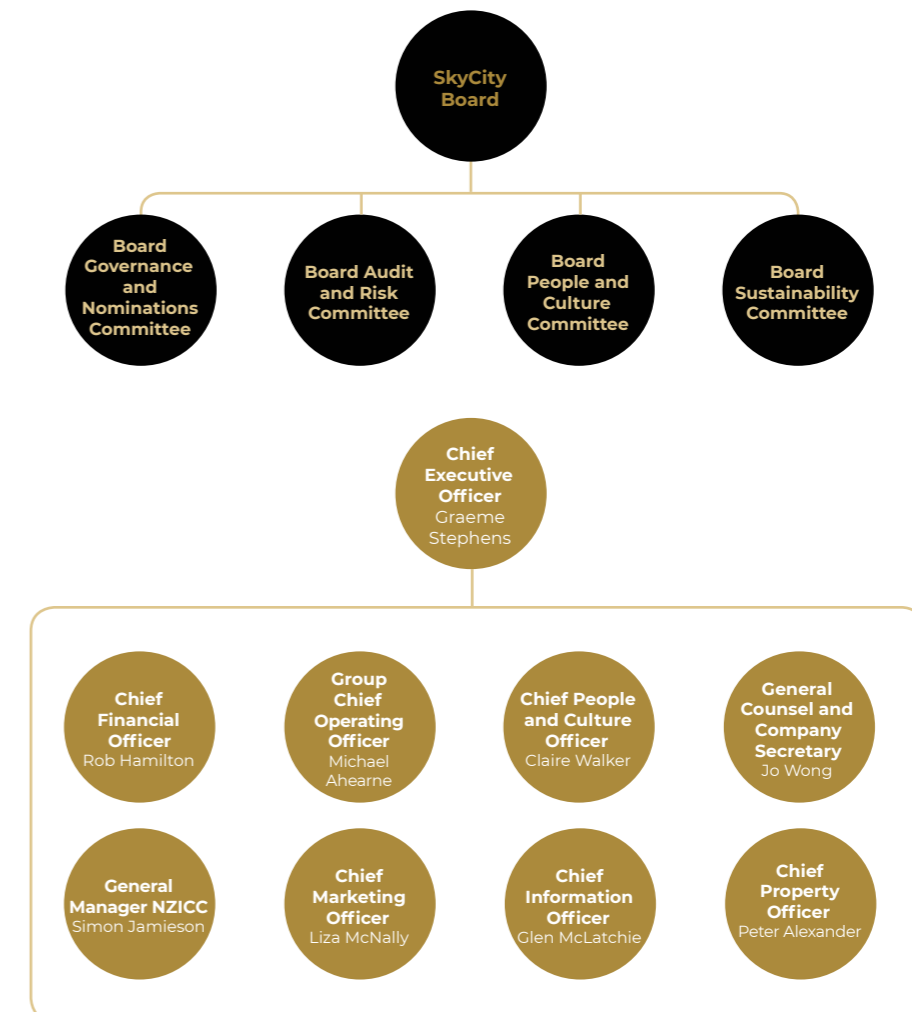
PETER ALEXANDER
Chief Property Officer

Peter joined SkyCity as Chief Property Officer in January 2019 and is responsible for SkyCity's property investment and development activities in New Zealand and Australia.

Peter has more than 30 years' experience in investment management, primarily in property investment and development, in New Zealand and overseas. Peter joined SkyCity from alternative asset manager HRL Morrison & Co where he was Director Private Equity Real Estate New Zealand.

He was previously Chief Executive Officer of NZX listed Stride Property Group, a commercial property investor, developer and investment manager, and, prior to that, Peter led Auckland International Airport's commercial property investment and development activities.

Peter is currently a trustee of the Dilworth Trust Board, Chair for Homes of Choice and a non-executive director of HLC Limited.

BOARD AND SENIOR LEADERSHIP TEAM ORGANISATIONAL CHART


Being a responsible corporate citizen



SkyCity is committed to maintaining the highest levels of sustainability objectives and practices, with priority given to minimising the impacts associated with problem gambling as an area of primary focus.

Our Sustainability

At SkyCity, we recognise that sustainability is critical to all levels of our business and operations. Part of being a responsible business is understanding the impacts arising from our operations. The aim of this understanding is to enable positive impacts to be fostered and negative impacts to be at the very least mitigated and ideally abated. This is particularly true when there is potential for harm to either people or the environment.

At SkyCity, we need to continually focus on our social licence to operate – as in the casino industry we have to try harder than most to justify our place in society.

Our sustainability initiatives are focussed on doing good for our communities – our customers, employees and suppliers. Our objective is to ensure that our strategic decisions strengthen the communities we operate in and provide environments and opportunities for our customers, suppliers and staff to enjoy, to be entertained and to be safe.

Setting Our Framework

In 2016, after engaging with both internal and external stakeholders on which sustainability issues were most relevant to SkyCity's business, SkyCity adopted its first set of sustainability goals, priority actions and targets and developed a materiality matrix to identify a set of priority impact areas and issues for the business. In 2018, we refined the matrix and sustainability framework to incorporate global trends and local market conditions in our approach to, and assessment of, risks and opportunities, culminating in a refreshed set of sustainability pillars.

We continue to focus on embedding these sustainability pillars into all levels of the organisation and in the way SkyCity operates. The material issues have become the focus for managing SkyCity's risks and have heavily influenced our sustainability strategy and priorities, which underpin our reporting on our non-financial performance.

Our Sustainability Committee

The Sustainability Committee is a dedicated Board committee that assists the SkyCity Board to contribute to SkyCity's vision and strategic plan by ensuring that the company's sustainability strategy is best practice and supports the highest level of sustainability objectives, with priority given to minimising the impacts associated with problem gambling as an area of primary focus.

The responsibilities of the Committee include reviewing and recommending to the Board the sustainability strategy, principles, policies and

practices of the company to ensure alignment with the company's strategic objectives and performance, and reviewing and reporting to the Board on the company's impacts associated with SkyCity's sustainability pillars.

The guiding principles that underpin SkyCity's sustainability activities and the role, responsibilities, composition, structure and membership of the Committee are set out in the Sustainability Committee Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com), which is reviewed and approved by the Board on an annual basis.

The Board and Committee maintain operational supervision of SkyCity's sustainability activities through clearly defined policy and effective management. Claire Walker, SkyCity's Chief People and Culture Officer, has executive responsibility for SkyCity's sustainability activities with key operational personnel within the business having day-to-day responsibility for the activities.

Our Pillars

The following pages outline our goals, priorities and metrics for each of our five sustainability pillars, outline the activities undertaken to support our sustainability strategy, and provide a summary of our achievement against our priorities for the financial year ended 30 June 2019.

The areas identified as priority issues are those considered highly material for SkyCity's business and for our stakeholders. Our priorities and metrics set out what we intend to do both in our business and our communities. They are intended to challenge the business and staff and provide a dedicated framework for measuring progress over the coming years. We are committed to measuring performance on each goal, through specific key performance indicators, which will ensure the business strives to keep pace with internal and external expectations.

We Welcome Your Feedback

If you have any feedback and questions in relation to SkyCity's sustainability framework, please contact SkyCity at sustainability@skycity.co.nz.

Sustainability at SkyCity

To be a sustainable business, we must be a responsible business actively protecting and promoting the people we serve and the planet we share.



Customers	People	Communities	Suppliers	Environment
Be responsible hosts	Inspire our people	Grow our communities	Source responsibly	Protect the environment
Ensure safe and enjoyable opportunities for customers, staff and our communities	Create a great place to work where people are empowered to grow and achieve	Serve a social purpose by investing in local economies and communities	Commit to the highest standards of sourcing, ethically, responsibly and locally	Actively reduce waste and minimise our environmental impact
Happy, safe customers	Great, safe place to work	Thriving local communities	Consistent ethical sourcing	Significantly lower emissions

By creating value for others, we create value for SkyCity

Our goals What we'll deliver	Our plan How we'll deliver it	Our priorities Impact & importance
Customers Be responsible hosts Ensure safe and enjoyable experiences for our customers, staff and communities		
Leading and best practice host responsibility	<ul style="list-style-type: none"> Host responsibility programmes and problem gambling indicators such as preventative customer service encounters and engagement practices Benchmarking of SkyCity's host responsibility programmes against our industry Public policy and compliance, including reporting of regulator audit findings 	1. Host responsibly 2. Customer experience and engagement
Customer experience and engagement	<ul style="list-style-type: none"> Employee training completion rates 	
Community knowledge	<ul style="list-style-type: none"> Increase in community knowledge and understanding of SkyCity's harm minimisation practices 	
People Inspire our people A great place to work where our people are empowered to grow and achieve		
Employee engagement, learning, development and careers	<ul style="list-style-type: none"> Internal promotions, career paths and employment opportunities for youth 	1. Employee engagement 2. Health, safety and wellbeing
Diversity, inclusion and belonging	<ul style="list-style-type: none"> Diversity and gender reporting, including equality of pay, management and governance representation 	
Health, safety and wellbeing	<ul style="list-style-type: none"> Health and Safety engagement activities such as Leadership Safety Walks and Health and Safety Committee engagement Take up of SkyCity subsidised health insurance by employees Number of managers trained in SkyCity's White Ribbon policy 	
Community Grow our communities Serve a social purpose by investing in our local economies and communities		
Economic contribution	<ul style="list-style-type: none"> Measure and evaluate SkyCity's economic contribution to the communities in which we operate, including local procurement spend 	1. Community partnerships and outcomes 2. Economic contribution
Building communities by developing people	<ul style="list-style-type: none"> Employment, training and career paths provided for youth 	
Investing through the SkyCity Community Trusts and through charity partnerships	<ul style="list-style-type: none"> Reporting of community outcomes through narrative and case studies accompanied by quantitative results 	
Developing deeper connections with iwi and indigenous peoples	<ul style="list-style-type: none"> Narrative and case studies on partnerships 	
Suppliers Source ethically and responsibly Sourcing ethically, responsibly and locally		
Ethical and sustainable sourcing practices	<ul style="list-style-type: none"> Procurement supports the objectives of the Ethical Sourcing Strategy and roadmap Reporting of adherence, audit results and outcomes 	1. Ethical and sustainable procurement
Supply chain transparency	<ul style="list-style-type: none"> Disclosure of risk relating to human rights and forced labour issues in supply chain 	
Using local suppliers	<ul style="list-style-type: none"> Local vs international procurement spend Case studies on local (and indigenous) suppliers and tangible community benefits 	
Environment Conserve the environment Active commitment to reducing our environmental footprint		
Climate change and emissions	<ul style="list-style-type: none"> Emission and emission intensity, including energy efficiency and reduction Employee led Green Fund established and operating for FY20 	1. Climate change and emissions
Reducing waste	<ul style="list-style-type: none"> Reduction of waste and diversion from landfill 	
Carbon neutral by 2020	<ul style="list-style-type: none"> SkyCity New Zealand operations offset for FY19 carbon emissions Employee led Green Fund established and operating for FY20 	



Be responsible hosts



Ensure safe and enjoyable opportunities for customers, staff and our communities.

Our Customers

At our core, SkyCity is a provider of casino entertainment.

The promotion of responsible gaming and safe consumption of alcohol are topics at the heart of our business.

Priority Issues

- Leading and best practice host responsibility
- Customer experience and engagement
- Community knowledge

FY19 Performance Highlights

- In the 2019 SkyCity Employee Engagement Survey, our staff rating as a 'responsible host' was 88% - an increase of 2% from the 2017 survey
- Reviewed our Host Responsibility Programmes against a leading Australian casino operator, which showed we are well placed in leading host responsibility operations
- Commenced a limited facial recognition technology trial across the SkyCity Auckland and SkyCity Hamilton sites and selected a preferred supplier
- Upgraded the predictive algorithm model in place at our largest and busiest SkyCity Auckland property to enhance and improve SkyCity's ability to identify potential at-risk gamblers, which will be operational in early FY20
- Increased our observation and reporting of potential problem gambling indicators
- Increased our preventative interactions through our Customer Service Ambassadors at our Auckland site
- Welcomed problem gambling support providers into the SkyCity Auckland casino to raise their profile with customers during Gambling Harm Awareness Week in New Zealand



88%

of our staff rated SkyCity as a responsible host in our 2019 employee engagement survey

Leading and Best Practice Host Responsibility

When done responsibly, gambling can be a fun and enjoyable entertainment activity. However, it can also have harmful effects on some individuals, their families and their communities. Our challenge is therefore to ensure that our business provides entertaining and profitable, yet safe and responsible, experiences and environments for all customers and staff.

SkyCity has a robust Host Responsibility Programme in place at each of its sites to prevent and minimise harm from problem gambling. All SkyCity staff receive training in problem gambling awareness and we employ a dedicated team of experienced host responsibility specialists at all sites. Additionally, at our largest and busiest Auckland site, a team of Customer Service Ambassadors is trained to interact with our customers and report any concerns to our specialist Host Responsibility team so preventative action can be taken, where required.

An outline of our commitment to host responsibility and detailed individual site-related information can be found at www.skycityentertainmentgroup.com/our-commitment/responsible-gambling.

A key focus for SkyCity is to maintain the high standard of host responsibility best practice recognised by the New Zealand Department of Internal Affairs through its 'mystery shopping' exercise conducted across all casinos and 120 pubs and clubs (Class 4 venues) around New Zealand in late 2016. SkyCity's four casinos in Auckland, Hamilton and Queenstown came out top in the exercise with the Department noting that "the results from SkyCity casinos show what can be done when more dedicated resource is

directed at minimising harmful gambling within a culture that puts a clear focus on a high standard of harm minimisation practice" and that "the overall results also show that SkyCity casinos have cultivated a culture of care within their casinos".

At the date of this annual report, the Department of Internal Affairs had commenced a further mystery shopping exercise across all casinos, and pubs and clubs (Class 4 venues), around New Zealand and visited SkyCity Auckland as part of this exercise. We welcome the Department's findings in this regard and are committed to working with the Department to ensure we maintain a high standard of host responsibility best practice.

We are immensely proud of the culture of care we have developed within our casinos and continue to focus on ways to ensure that this culture of care is maintained, including through our own regular internal mystery shopping training exercises.

Through our 2019 employee engagement survey, our staff rating as a 'responsible host' was 88%, an increase of 2% from our 2017 survey. This pleasing result recognises the importance we place on host responsibility throughout every part of the organisation.

During the past financial year, we also conducted a review of our Host Responsibility Programmes against a leading Australian casino operator, which showed we are well placed in leading host responsibility operations across the SkyCity Group.

However, in a dynamic casino environment, maintaining effectiveness, relevancy and consistency in harm minimisation best practice is an ongoing challenge. In response to that challenge, SkyCity continues to explore available technology solutions, seek expert advice, consult stakeholder groups and source a range of research material.

♥ We take our responsibilities to minimise risk and harm from problem gambling very seriously

Harnessing New Technologies

In late 2018, SkyCity commenced a limited facial recognition technology trial across the SkyCity Auckland and SkyCity Hamilton sites. This technology will assist SkyCity to recognise customers who have been excluded from re-entering SkyCity's New Zealand premises by notifying SkyCity personnel when an individual matching an image from SkyCity's database of excluded patrons re-enters a SkyCity gambling area. This will significantly bolster SkyCity's ongoing efforts to detect and prevent excluded customers from re-entering its New Zealand casinos.

In June 2019, after trialling different available technology solutions, a preferred supplier was selected. SkyCity's intention is to now implement a full facial recognition technology solution at SkyCity Auckland, SkyCity Hamilton and the main SkyCity Queenstown site by the end of 2019.

Whilst there is no guarantee that this technology will be effective in each and every case (for example, where a customer actively tries to avoid detection), this technology significantly bolsters SkyCity's ongoing efforts to deter, detect and prevent excluded customers from re-entering the SkyCity Auckland casino.

Additionally, since 2014, SkyCity has operated a predictive algorithm risk model created by Focal Research at SkyCity Auckland, which analyses loyalty data as a tool to identify players who may be at risk from gambling harm. The algorithm was upgraded in May 2019 to enhance and improve SkyCity's ability to identify potential at-risk gamblers. The algorithm will be operational in early FY20.

Consistency of Responsible Gaming Culture and Practice

The alignment of excellent host responsibility and harm minimisation practice and culture across the SkyCity Group remains challenging due to differences from site to site, such as size, scale and staffing structure. There are also market and customer differences that impact our approach to staff training and programme design, in addition to unique cultural distinctions to consider. Furthermore, our sites across New Zealand and in South Australia each have different regulatory environments in which to operate.

These differences mean that while SkyCity's Host Responsibility Programmes have similarities, they are often carried out quite differently. However, problem gambling is an addiction and the possibility of harm from this type of behaviour manifests itself the same regardless of jurisdiction or location. That is why SkyCity endeavours to lead in this area and employ best practice prevention methods across the business. A key strategic focus across the SkyCity Group for minimising gambling harm is prevention. Robust prevention initiatives can be developed and implemented across the Group with few or no regulatory or local procedural constraints. By adopting a prevention approach, we can increase our ability to identify and respond early to new or emerging concerns that may lead to problem gambling related issues for our customers.

We are committed to carrying out regular reviews of each of our Host Responsibility Programmes to ensure alignment of our practices across our sites.

Customer Experience and Engagement

SkyCity promotes a range of tools in order to facilitate responsible gambling – however, exclusion is an equally important host responsibility offering for those that may be vulnerable to problem gambling.

Our casinos offer extensive information to customers about exclusion options and referral details to problem gambling support services, including gambling helplines and face-to-face counselling organisations.

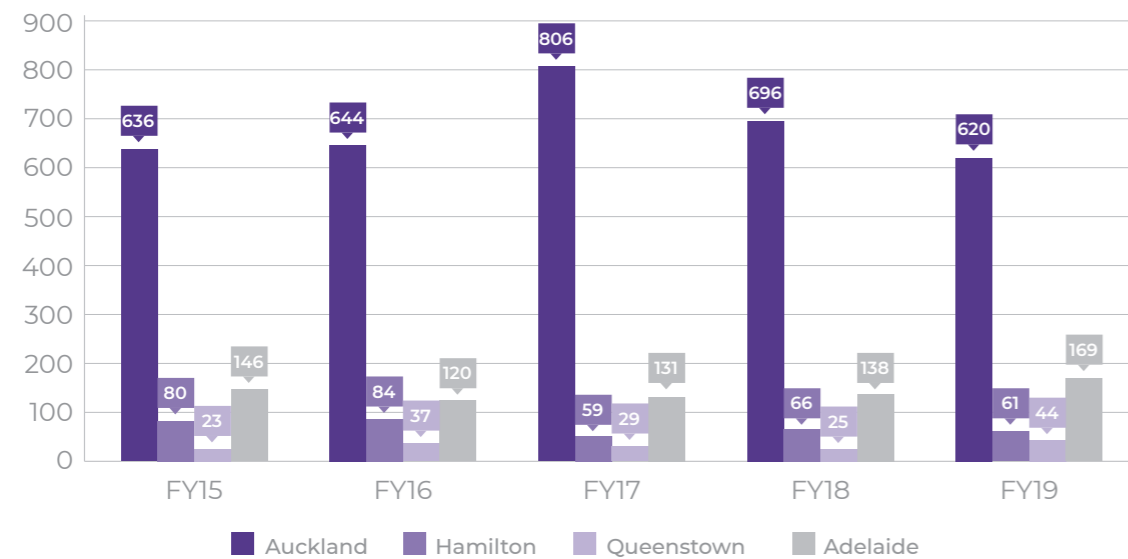
In New Zealand, customers can choose to exclude themselves from all SkyCity casinos in New Zealand for a period of up to two years. In some cases, SkyCity itself makes the decision

to exclude a customer as a means to prevent risk of harm occurring, or as a means to stop further harm through a customer's gambling at SkyCity's casinos.

In Adelaide, all exclusions are referred to Consumer Business Services (the South Australian Government's Regulator) who has overall management of exclusions.

The following graph summarises the number of exclusions issued by each of the SkyCity properties over the 2015–2019 financial years.

Exclusions at SkyCity Properties FY15 to FY19 (assured)



Over the last financial year, we increased our observation and reporting of potential problem gambling indicators, as well as increased our preventative interactions through our Customer Service Ambassadors and Gaming teams at our Auckland site.

Unfortunately, from time to time, some customers may attempt to re-enter a SkyCity casino with the intention of gaming in breach of their exclusion orders.

With the size of our customer base and premises, it can be a challenge to identify these individuals immediately. We do all we can to prevent this from happening – all casino supervisors and floor security staff are provided with up-to-date information on customers who have been excluded, SkyCity keeps photographs of all excluded customers and we share our database across our sites so that excluded individuals cannot enter our other premises.

However, we largely rely on our casino staff, security and surveillance teams using photographs to recognise excluded people. As outlined above, facial recognition technology will assist SkyCity to recognise excluded people - however, despite our best efforts and these processes, some individuals may nonetheless find ways to elude staff and re-enter a SkyCity casino.

Community Knowledge

Given that the most material issue to all stakeholders, internal and external, is responsible gambling, we aim to foster good relationships with problem gambling stakeholders.

As part of this approach, we provide tours of our facilities and literature to treatment providers to assist them in understanding our gaming environments and Host Responsibility Programmes. We also partner with local experts and support agencies to ensure we have the resources in place for harm minimisation and prevention.

The objective is to improve information sharing and collaboration between stakeholders in order to advance SkyCity's harm minimisation approach. This collaborative approach ensures that knowledge about problem gambling is shared between SkyCity and the relevant stakeholders, who will work together to minimise harm.

Throughout the 2019 financial year, we continued to engage with community stakeholders, both at their request and through more formal bi-monthly problem gambling liaison meetings.

In September 2018, during Gambling Harm Awareness Week in New Zealand, SkyCity welcomed various problem gambling support providers, including Mapu Maia, Asian Family Services, Salvation Army, Problem Gambling Foundation's He Kīwi Team, South Seas Healthcare and Raukura Hauora o Tainui, into the SkyCity Auckland casino to raise their profile with customers. Representatives from each of the providers staffed an information station within the casino at SkyCity Auckland over Gambling Harm Awareness Week.

We offer extensive information to customers about exclusion options and referral details to problem gambling support services



Inspire our people



Create a great place to work where people are empowered to grow and achieve.

Our People

As a major employer with over 5,000 staff and growing, we know that taking care of our people is the key to creating a great place to work.

Priority Issues

- Employee engagement, learning, development and careers
- Diversity, inclusion and belonging
- Health, safety and wellbeing

FY19 Performance Highlights

- Tahuna Te Ahi, a bespoke programme developed for SkyCity's New Zealand-based employees to provide accelerated leadership development specifically for Māori employees, won the 2018 Deloitte Top 200 Diversity & Inclusion Leadership Award and was named as a Platinum winner in the Best Learning & Development Project – Leadership Capability category at the international LearnX Awards
- 31 employees graduated from the SkyCity Emerging Leaders Programme, a bespoke programme designed to accelerate the development of our best front-line talent
- SkyCity managers completed a further 570 hours of White Ribbon training across the business to assist them to recognise the signs of family violence and respond accordingly
- 12 staff took up the opportunity to enrol in a 36-week Te Reo Māori language course
- Continued to focus on improving our health and safety performance against our four health and safety goals set out in our Group Health and Safety Strategy for 2019–2021
- Established the SkyCity Inclusion Council to support the embedding of an authentic and inclusive culture within SkyCity Auckland
- Awarded the Gender Tick in recognition of SkyCity's commitment to providing a fair workplace for all employees
- Became a Platinum Partner of Women in Gaming and Hospitality Australasia broadening the industry body's reach to New Zealand and Adelaide
- Launched Culture Capital for Executives, a bespoke programme for SkyCity executives, which aims to build confidence and capability to engage authentically with Māori and people from indigenous cultures

♥ We are committed to providing our employees with sustainable career paths at SkyCity and want our staff to grow their careers with us

At SkyCity, we aim to create an environment where our people are at the centre and ensure that our staff can work safely, are motivated to work hard, progress in their careers, and have the tools and knowledge they need to look after both themselves and our customers



Employee Engagement, Learning and Development and Careers

With a large and diverse workforce, SkyCity is recognised for taking a lead in staff development and care. Our vision is to be a centre of expertise that delivers high value learning and development solutions for staff which contribute to the achievement of our business priorities.

We have an advanced set of priorities and programmes in place across our sites to achieve our goal of being a great place to work where our people are empowered to grow and to achieve. To ensure that these programmes remain effective and relevant, we regularly review the effectiveness of the programmes, in terms of both interest and sustained impact, and make refinements as required. New programmes are also trialled and introduced where appropriate. We regularly seek advice from staff on how to remove barriers to participation (such as release time) and introduce better incentives for participation.

Tahuna Te Ahi – Ignite the Fire

One of the ways we deliver on our commitment to an inclusive workplace that enhances and promotes diversity is with targeted programmes that support employees from underrepresented groups to thrive. As a large New Zealand employer, we feel a particular responsibility to ensure we provide our Māori employees (8% of our employees identify as Māori) with every opportunity to progress.

Recognising the special standing of Māori as tangata whenua and the indigenous people of Aotearoa, SkyCity launched a tailored programme, developed by New Zealand company Indigenous Growth Limited, for our New Zealand-based employees in 2018 which provides accelerated leadership development specifically for Māori employees in addition to implementing initiatives which elevate the standing of Māori at SkyCity more broadly. The programme connects people to indigenous values and culture while at the same time giving them the tools to incorporate their culture into a business environment.

The six-month programme includes five two-day workshops, a project (rōpū) and personal coaching. It also covers indigenous power and authority in business, decision making and mental toughness, leadership style and executive skills, authentic presentation style, and personal goals and development.

Fourteen employees graduated from the second intake of the programme in October 2018 and the third intake is scheduled for early 2020.

In November 2018, SkyCity won the 2018 Deloitte Top 200 Diversity & Inclusion Leadership Award for the programme and, in June 2019, SkyCity was named as a Platinum winner in the Best Learning & Development Project – Leadership Capability category at the international LearnX Awards.

Emerging Leaders

The SkyCity Emerging Leaders Programme is designed to accelerate the development of our best front-line talent across the organisation. It was designed from the ground up to incorporate current best practice leadership content and development approaches and involves a sophisticated blend of online content, facilitated workshops, leadership coaching and on-job application.

Over a series of critical leadership topics, participants experience a six-month developmental pathway that supports them through one of the most important transition points in their career.

31 employees graduated from the SkyCity Emerging Leaders Programme in August and November 2018.

White Ribbon Policy – Training for Managers

Continuing from the 2018 Workplace Refuge Endorsement from the Women's Refuge, SkyCity has completed a further 570 hours of White Ribbon training for more than 227 managers across its business.

White Ribbon training assists managers to recognise the signs of family violence, respond accordingly and refer any incidents or issues on to the appropriate organisations. In addition, SkyCity Auckland has a Family Violence Committee that, alongside the Connect Centre (SkyCity's employee support service), is an additional point of contact for staff.

Te Reo Māori

Driven by graduates of SkyCity's bespoke Māori leadership development programme, Tahuna Te Ahi, during Te Wiki o Te Reo Māori (Māori Language Week) in September 2018, SkyCity Auckland staff were encouraged to learn basic Māori phrases from daily sentences posted on the staff intranet to translating all of the items at the staff cafeteria. For the more advanced, daily challenges, such as Te Reo crosswords, were set where staff could compete to win prizes.

In addition, the staff cafeteria celebrated the week with a Māori themed menu with traditional delicacies and the Sky Tower was lit up in red and white to mark Te Wiki o Te Reo Māori.

Through Te Wānanga o Aotearoa, SkyCity also offered up to 30 staff the opportunity to enrol in a 36-week Te Reo Māori language course starting in March 2019, where participants learn basic conversational Te Reo and graduate with a New Zealand Certificate in Te Reo (Reo Rua) Level 1 & Level 2 – with 12 staff members taking up the opportunity.

Our health and safety mission is to prevent harm and build wellness



Health, Safety and Wellbeing

Health and Safety

At SkyCity, our people are paramount to the success of our business. Ensuring we take care of our people at work allows them to provide our guests with a safe and enjoyable experience.

Each property within the SkyCity Group must demonstrate compliance with our Group Health and Safety policy and standards for safety. We also conduct internal audits annually and external audits as required for registration and certification. Findings from these audits are monitored and tracked for continuous improvement.

In 2018, SkyCity adopted a new Group Health and Safety Strategy for 2019-2021 which centres around the mission "Prevent Harm and Build Wellness" and four goals:

- **Industry leading safety culture** – we will create a positive safety culture for our workers and guests with a strong emphasis on genuine and visible leadership and active engagement of our workers;

- **Effective risk management** – we will focus on our critical risks ensuring we have sufficient risk mitigation strategies in place to prevent fatal or serious harm;
- **Sustainable systems and processes** – we will create a contemporary and resilient approach to the management and improvement of health and safety; and
- **Health and wellbeing** – we will adopt a risk-based approach to health and wellbeing including programmes to reduce physical and psychosocial risks to our workers.

The strategy also addresses the New Zealand Government's key goals of its draft NZ Health and Safety at Work Strategy 2018-2028.

Ensuring we take care of our people at work allows them to provide our guests with a safe and enjoyable experience

FY19 Health and Safety Scorecard

Indicator	Target	FY19 Performance
Safety Success Indicator 1 (not assured)	Zero fatalities or serious injuries	✓ Achieved
Safety Success Indicator 2 (assured)	Reduce Total Recordable Incident Frequency Rate (TRIFR) by 10% from the FY18 baseline	✓ Achieved
Safety Success Indicator 3 (not assured)	Increase hazard reports by 20% from the FY18 baseline	✓ Achieved

GOAL 1 Industry Leading Safety Culture	GOAL 2 Effective Risk Management	GOAL 3 Sustainable Systems and Processes	GOAL 4 Health and Wellbeing
<p>Highlights</p> <p>Established a new health and safety performance framework with a greater emphasis on reporting, engagement and participation</p> <p>Engaged more actively with our workforce and celebrated our inaugural Annual Health and Safety event where our employees showcased how they manage safety in their workplaces</p> <p>Established baseline measurements in our safety culture and commissioned further research to support the development of a hospitality specific safety leadership training programme</p> <p>Introduced a new annual 'Chairman's Award for excellence in Health and Safety' with the inaugural winner recognised at our annual employee awards events</p>	<p>Highlights</p> <p>Continued to invest in strengthening our critical risk control across the Group, focussing on achieving zero fatalities (Safety Success Indicator 1)</p> <p>Implemented a new Construction Safety Assurance programme focussed on our high risk construction projects</p> <p>Reinforced to our construction partners our safety beliefs and collaborated with them on improving health and safety outcomes</p> <p>Focused on improving our preparedness for emergencies with new learning activities and improve technology to enable a professional and effective response to serious or potential catastrophic events</p>	<p>Highlights</p> <p>Commenced implementation of new systems for incident and hazard reporting, focussing on making safety simple for our employees. The positive change in process has resulted in improved reporting and a more timely response to rectify hazards and identify opportunities for improvement</p> <p>Implemented a new Chemical Risk Management database focussed on improving our workers' access to information on the effective management of hazardous chemical risks</p> <p>Achieved Tertiary level accreditation for our New Zealand properties in our ACC Accredited Employers programme recertification audit</p>	<p>Highlights</p> <p>A significant increase in the number of employees electing to participate in our health vaccination programmes</p> <p>Participated in a range of wellness activities, including the World's Biggest Boot Camp held at Eden Park in Auckland where a large contingent of our Auckland team participated in a successful world record attempt for the most simultaneous frog squats</p>



24-hour support

is available to all staff, seven days a week, from trained professional counsellors

Employee Wellbeing

SkyCity's wellness programme aims to encourage healthier behaviours and personal responsibility for health outcomes by providing support, information and skills training. The programme goals include improving staff health habits, increasing physical activity, reducing absenteeism and improving productivity.

SkyCity runs a wellness programme called 'Play Well' which focusses on four areas of wellbeing – physical activity, nutrition, smoke free and mind and soul. We have a number of initiatives, such as the Sky Tower Challenge, smoking cessation programmes and speaker sessions on mental health and wellbeing, throughout the year.

Our Adelaide site's 'Healthy Minds' programme provides education and training to all employees on the importance of building and maintaining personal wellbeing through a balance of health, wellness, exercise and relationships. The programme provides practical, demonstrable tools and techniques to enable the development of a healthy, balanced emotional life and for employees to be at their best, regardless of external circumstances.

As part of the wellness programme, all SkyCity employees across the Group are also invited to receive their flu vaccinations at work for free. This service is offered annually to employees on-site at the beginning of the flu season to ensure all staff have easy access to the vaccinations.

Staff Support Programmes

SkyCity has a range of services designed to assist employees who may need a helping hand.

At our Auckland and Hamilton sites, the Connect Centre offers confidential help and advice for SkyCity employees – for work issues and situations outside of work. They offer advice about practical and effective ways to handle difficult or sensitive issues. Where needed, they can also assist employees in working with agencies outside of SkyCity who may be able to help.

The Group-wide Employee Assistance Programme (EAP) is a supportive and confidential programme designed to assist SkyCity employees who may have problems that affect them at work – advice and support is available 24 hours a day, seven days a week, from trained professional counsellors who can help staff with their problems.

SkyCity also provides emergency financial assistance for employees suffering financial hardship. This help can include budgeting advice, and last resort financial help through a 'SMILE' loan to New Zealand-based staff who qualify for support.

Healthcare

SkyCity understands that healthcare can be expensive and sometimes difficult to access for members of the workforce. We therefore offer permanent, full-time employees in our New Zealand sites health insurance via our healthcare provider Southern Cross Healthcare. SkyCity fully subsidises the RegularCare plan, which provides shared cover for surgical treatment, recovery, support, imaging and diagnostic tests and day-to-day treatment. Employees are also able to add their family members to the insurance plan at an additional cost.

♥ **We are committed to providing opportunities and initiatives that assist all to reach their potential**



Diversity, Inclusion and Belonging

We have a strong representation of minority groups at SkyCity who are often underrepresented at leadership levels in the workforce.

Encouraging diversity of thought in our workforce, and in leadership roles in particular, allows us to strategically reflect our diverse customer base and draw people with different backgrounds to our business. We believe this diversity of thought offers an opportunity to enhance SkyCity's competitive advantage and provide long term sustainable business success.

We value and respect the contributions, ideas and experiences of people from all backgrounds and are committed to an inclusive workplace that enhances and promotes workplace diversity across the business. We are committed to providing opportunities and initiatives that assist all to reach their potential, and regularly benchmark and report on our diversity position, policy and objectives.

SkyCity's Diversity and Inclusion Policy (available in the Governance section of the company's website at www.skycityentertainmentgroup.com) provides a framework for the company's current and future diversity and inclusion initiatives. Each year, the SkyCity Board sets measurable objectives to promote diversity and inclusion.

The measurable objectives set by the Board for the financial year ending 30 June 2020 are to:

- continue to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles;

- maintain a gender balance across the population of employees who make up the top four levels of the organisation hierarchy;
- continue to review gender pay equality and deliver an organisation-wide programme that removes any risk of bias or inequality;
- leverage diverse talent pools to develop a more ethnically diverse leadership population;
- maintain Rainbow Tick certification for our New Zealand sites and partner with Pride in Diversity Australia to reiterate our commitment to our lesbian, gay, bi-sexual, transgender, takatapui and intersex staff;
- build the capability of all leaders in understanding and leveraging diversity of thought through ensuring appropriate learning and development solutions are delivered; and
- continue to provide support and education to employees and managers to promote mental health awareness.

Inclusion Council

In 2019, a SkyCity Inclusion Council was established to support the embedding of an authentic and inclusive culture within SkyCity Auckland.

The Council is made up of Employee Resource Groups (ERGs), whose purpose is to bring to life SkyCity's diversity and inclusion objectives. The ERGs sit on a forum to discuss priorities and proposed actions with senior leadership on a quarterly basis.

The first ERGs are Women in Leadership, SkyCity Pride, Te Roopu Māori o SkyCity, NZ Asian Leaders, Pasifika Leaders and Winning Women Chefs Club. The leaders of these groups bring together their respective communities, confirming their priorities and work together to drive initiatives that impact the groups they represent.

♥ SkyCity is one of only six companies in New Zealand to receive Gender Tick accreditation

Supporting Our Rainbow Community

SkyCity has maintained a Rainbow Tick for its Auckland, Hamilton and Queenstown properties in 2019.

Being a Rainbow Tick employer means SkyCity has been acknowledged as being a safe, supportive and welcoming workplace where employees can bring their whole selves to work without fear of discrimination or disadvantage – no matter what their gender identity or sexual orientation.

SkyCity is committed to continually improving and working with the feedback received from Rainbow Tick to find ways we can further support our SkyCity rainbow community.

Our Adelaide site participated in the Australian Pride in Diversity programme, which reiterates our commitment to our lesbian, gay, bi-sexual, trans-sexual and intersex Australian-based staff.

SkyCity Queenstown has also been a supporter of the Winter Pride event in Queenstown for many years and signed up to the Pride Pledge in June 2018. The Pride Pledge was started in Queenstown to raise the visibility of safe spaces within the Queenstown community after the Winter Pride festival organisers realised that, although the town had an inclusive heart, it was very difficult for the rainbow community to see any visible signs that they were welcome and included.

Gender Tick

In April 2019, SkyCity was awarded the Gender Tick in recognition of its commitment to providing a fair workplace for all employees.

Gender Tick is a New Zealand-based accreditation for businesses to demonstrate their commitment to gender equality in the workplace.

The programme assesses organisations across five key indicators, including gender inclusive culture, flexibility and leave, women in leadership, gender pay equality and ensuring a safe workplace.

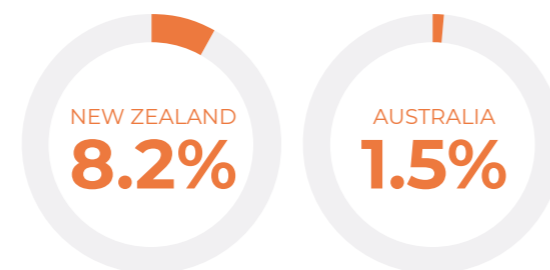
SkyCity is one of only six companies in New Zealand to receive this accreditation, which is an important step in its diversity and inclusion journey.

Pay Equality

SkyCity continues to monitor and report on remuneration outcomes by gender to ensure pay equality.

In the past financial year, we conducted gender pay equality analysis for like positions, positions with similar degrees of know-how, problem solving and accountability. This analysis identified that there are no indications of gender bias across similar positions. However, due to the lack of representation of women in senior positions, there is a pay gap at SkyCity when considering the median hourly rate for women as a percentage of the median hourly rate for men.

The following chart illustrates the SkyCity pay gap as at 30 June 2019 (assured):



The median hourly rate for women as a percentage of the median hourly rate for men as at 30 June 2019. Includes permanent and temporary employees.

The New Zealand national gender pay gap is 9.2% (August 2018).

We remain focussed on increasing the representation of women in senior roles across the business through a gender balanced talent pipeline.

Women in Gaming and Hospitality Australasia

As part of our ongoing focus on diversity and inclusion, SkyCity became a Platinum Partner of Women in Gaming and Hospitality Australasia (WGHA) in November 2018, broadening the industry body's reach to New Zealand and Adelaide.

The industry-for-industry body is dedicated to empowering women working in, or looking to work in, the gaming and hospitality industry in Australasia. This includes work that removes barriers and increases opportunities for the advancement of women in the industry, all of which aligns strongly with SkyCity's values.

SkyCity has committed to a three-year partnership, and is the fifth partner of WGHA, joining The Star Entertainment Group, Aristocrat, Crown Resorts and ALH Group.

Cultural Capital for Executives

In August 2018, SkyCity partnered with Indigenous Growth Limited to launch a tailored programme for SkyCity executives.

The programme builds confidence and capability to engage authentically with Māori and people from indigenous cultures with the use of basic Te Reo Māori and an in-depth understanding of tikanga (cultural practices). Participants build early confidence in engaging in a marae environment through marae-based learning. They cover the key elements of indigenous cultural values and practices with support from kaumātua (elders) and rangatira (leaders) to honour tikanga. The programme reinforces the business case for inclusive practices and demonstrates the connections to strategy, business growth and social entrepreneurship.

14 executives graduated from the first intake of the programme in October 2018 and, in May 2019, a further nine executives completed their journey on the programme.



Our Employee's Story

SkyCity Auckland won The New Zealand Rainbow Excellence Awards 2019 Training and Development Award for its Transition

Support framework. The framework is designed to support managers in onboarding transgender staff, which enables our transgender staff to be their authentic selves at work. Since inception, 5 employees have successfully transitioned through the framework. The following is the experience of one of our employees, who used the framework and the support of the SkyCity Connect Team to transition at work.

"From the outset, my team leader, operations manager and, especially, the Connect Team were helpful and supportive of me and my transition.

Having the Connect Team there to talk to has been invaluable - they worked alongside my

management team, others at SkyCity and myself to ensure the appropriate support was provided.

This support has been wide and positive – from an initial meeting to discuss challenges and expectations from both my perspective and that of SkyCity. This allowed me to share my thoughts in a safe space with both my manager and the Connect Team where we discussed matters, including what I felt was appropriate and comfortable to share with my work team about myself, and what wasn't.

I've enjoyed being able to come in and share my news with the Connect Team, especially as most of my friends and family don't live near Auckland and it was nice to have some people to tell in person.

Knowing that I could pop in to talk to the Connect Team about anything has been very reassuring and made my journey at SkyCity a positive experience thus far".

Performance Against Board Diversity and Inclusion Objectives

SkyCity performed well against the measurable objectives set by the Board to promote diversity and inclusion for the year ended 30 June 2019 (as reported in the company's 2018 annual report) as follows:

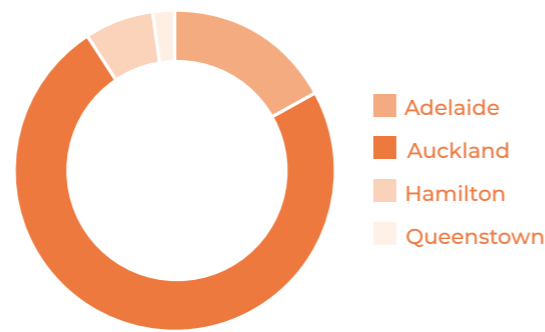
Objective	Progress Made
Continue to ensure strong female candidates are identified in the recruitment process for all Board and senior executive roles	<ul style="list-style-type: none"> ✓ Recruitment briefs for the Board recruitment process during the past financial year explicitly specified that SkyCity required female candidates to be identified wherever possible. ✓ Recruitment briefs for senior leadership recruitment process explicitly specified that SkyCity required female candidates to be identified wherever possible. ✓ In the past financial year, two senior executive appointments have been made to the positions of Chief Property Officer and Director Online Gaming and, whilst female candidates were identified through the search and selection process, no females were appointed.
Maintain a gender balance across the population of employees who make up the top four levels of the organisation hierarchy	<ul style="list-style-type: none"> ✓ During the past financial year, gender balance has been maintained across the top four levels of the organisation hierarchy with 50.5% of employees being female and 49.5% being male, demonstrating an equal gender representation in our talent pipeline.
Continue to review gender pay equality and deliver an organisation-wide programme that removes any risk of bias or inequality	<ul style="list-style-type: none"> ✓ SkyCity continues to monitor and report on remuneration outcomes by gender to ensure pay equality. The annual salary review resulted in an average increase for female salaried employees of 2.5% and an average increase for male salaried employees of 2.37%. ✓ SkyCity also conducted gender pay equality analysis for like positions, positions with similar degrees of know-how, problem solving and accountability. This analysis identified that there are no indications of gender bias across similar positions. ✓ While our analysis has identified no evidence of a gender driven pay gap for like positions, we remain focussed on increasing the representation of women in senior roles across the business through a gender balanced talent pipeline.

Objective	Progress Made
Leverage diverse talent pools to develop a more ethnically diverse leadership population	<ul style="list-style-type: none"> ✓ Several initiatives were delivered during the past financial year with the objective of developing a more ethnically diverse leadership population: <ul style="list-style-type: none"> • SkyCity continued to offer its Māori leadership programme, Tahuna Te Ahi, in partnership with Indigenous Growth Limited; • Eight Pasifika employees participated in the Growing Niu Pasifika leadership programme; and • SkyCity continued its sponsorship of the New Zealand Asian Leaders Forum, doubling employee memberships. ✓ In addition, of the participants in SkyCity's Emerging Leadership Programme, 38% identified as Asian and 12% identified as either Māori or Pasifika.
Maintain Rainbow Tick certification for all our New Zealand sites and partner with Pride in Diversity Australia to reiterate our commitment to our lesbian, gay, bi-sexual, intersex, takatapui and trans-sexual staff	<ul style="list-style-type: none"> ✓ Rainbow Tick certification was achieved for each of our Auckland, Hamilton and Queenstown sites. ✓ Our Adelaide site maintained Pride in Diversity membership and participated in the Australian Workplace Equality Index survey.
Build the capability of all leaders in understanding and leveraging diversity of thought through ensuring appropriate learning and development solutions are delivered	<ul style="list-style-type: none"> ✓ The SkyCity Senior Leadership Team took part in the Cultural Capital for Executives programme, delivered by Indigenous Growth Limited, during the past financial year. The purpose of the programme is to develop an understanding of cultural practices and the confidence to engage authentically with Māori. ✓ The SkyCity Emerging Leaders programme has a highly integrated approach to diversity and inclusion, from our selection of participants to the collaborative and experiential modules which focus on exploring bias.
Continue to provide support and education to employees and managers to promote mental health awareness	<ul style="list-style-type: none"> ✓ Mental Health Awareness Week was celebrated at the Auckland, Hamilton and Queenstown sites during the past financial year with several opportunities for employees to access practical tips and resources to support mental health.

Our Staff Numbers

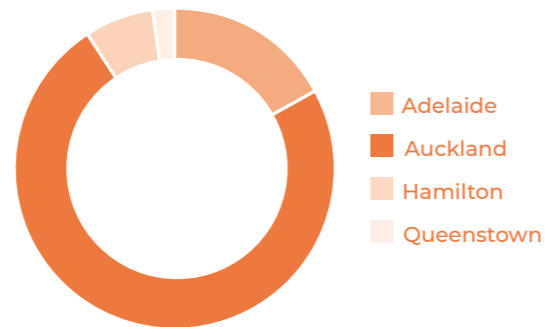
Worked full-time equivalent (FTE)* by site (%) (assured)

Site	Number of Employees	%
Adelaide	575	18%
Auckland	2,426	73%
Hamilton	242	7%
Queenstown	75	2%
Total	3,318	100%



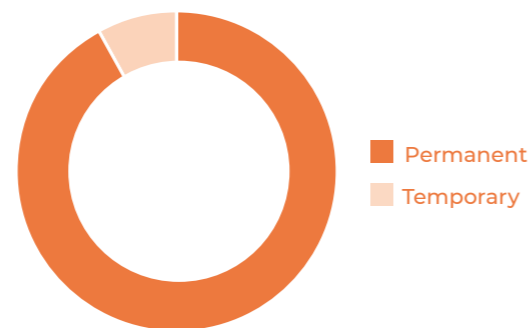
Total headcount for Group (%) (assured)

Site	Number of Staff	%
Adelaide	997	20%
Auckland	3,625	72%
Hamilton	320	6%
Queenstown	89	2%
Group Total	5,031	100%



Employment contract type for Group (%) (assured)

Contract Type	Number of Employees	%
Permanent	4,642	92%
Temporary	389	8%
Grand Total	5,031	100%



*The FTE calculation is based on actual hours worked by staff, not contracted hours. This definition provides a more accurate assessment of full-time equivalent staff.

**Group total percentages are weighted proportionately based on site Worked FTE.

Workforce profile, employment contract type by gender (%) (not assured)

Contract type	Female	Gender Diverse	Male	Group Total
Permanent	94%	100%	91%	92%
Temporary	6%	0%	9%	8%

Workforce profile, employment contract type by site (%) (not assured)

Contract type	Adelaide	Auckland	Hamilton	Queenstown
Permanent	72%	97%	99%	100%
Temporary	28%	3%	1%	0%

Workforce profile, employment type by gender (%) (not assured)

Contract type	Female	Gender Diverse	Male	Group Total
Full-Time	52%	17%	62%	57%
On Demand	19%	50%	18%	19%
Part-Time	29%	33%	20%	24%

Employees in collective agreements, by site (%) (not assured)

Contract type	Adelaide	Auckland	Hamilton	Queenstown	Group Total**
Yes	75%	25%	7%	0%	33%
No	25%	75%	93%	100%	67%

Employee absenteeism (%), as a percentage of scheduled days (not assured)

Contract Type	Adelaide	Auckland	Hamilton	Queenstown	Group Total**
Absenteeism	3.62%	3.98%	3.60%	2.18%	3.76%



Grow our communities

Serve a social purpose by investing in local economies and communities.

Our Communities

Our aim is to create value in our business and in the communities in which we operate.

We understand that to do this we need to engage meaningfully with our communities, listen to their critical needs and expectations, and respond through developing meaningful community partnerships and by taking action to address key issues in our operations.

Priority Issues

- Economic contribution
- Building communities by developing people
- Investing through the SkyCity Community Trusts and through charity partnerships
- Developing deeper connections with iwi and indigenous peoples

FY19 Performance Highlights

- Spent over \$450 million with a vast array of suppliers of goods and services (assured)
- Helped to raise more than \$1.3 million for Leukaemia & Blood Cancer New Zealand in the 15th Firefighter Sky Tower Stair Challenge (not assured)
- Helped to raise over \$85,000 for Variety – The Children's Charity in the 7th annual Variety of Chefs campaign (not assured)
- Paid a total of \$4.0 million to the four New Zealand SkyCity Community Trusts for distribution to communities in the Auckland, Waikato and Queenstown Lakes regions – of which \$2.8 million was distributed by the Trusts in FY19 (assured)
- Launched the Nikau Project, a youth employment programme with a focus on developing work-ready skills – with the first cohort of 15 participants joining the SkyCity Auckland pilot programme in June 2019
- SkyCity's partnership with Te Puni Kōkiri has enabled young Māori to access cadetships which support their transition into employment with SkyCity
- Established Te Roopu Māori o SkyCity, an internal Employee Resource Group, to support authentic engagement with Māori staff

♥ We invest in and work to develop our communities in a variety of ways

SkyCity is a cornerstone of each of the communities in which it operates. We understand that our scope for influence and change is huge, and SkyCity invests in and works to develop our communities in a variety of ways.

Engaging our stakeholders helps us to understand community attitudes toward SkyCity, the communities' expectations of us, and how stakeholders believe SkyCity should create value. SkyCity engages with stakeholders in a variety of ways, both formal and informal, in each of the communities in which it operates. These actions range from legally required engagement with regulators and problem gambling service providers for example, to less formal feedback mechanisms such as social media, customer surveys and public perception monitoring.

Whilst it is easy for organisations to talk about inputs and outputs, such as how much money or 'in-kind' contributions are given to charity, the number of charities receiving support, or how many hours staff spend on volunteering for community projects, it is a more challenging exercise to determine the outcomes and impact of those activities. We want to ensure that there is genuine and measurable social impact from our SkyCity Community Trusts and other charitable giving. We continue to review and assess our community investments and partnerships in a more holistic and strategic way, to ensure that they are aligned to our unique business assets and are ultimately delivering both social and business value.



Economic Contribution

Sourcing Locally

SkyCity is committed to sourcing locally. One of the intentions outlined in the SkyCity Group Procurement Policy is to source and procure locally made and supplied products from Australasian owned and operated businesses as a preference wherever possible.

In the financial year ended 30 June 2019, SkyCity spent over \$450 million with a vast array of suppliers of goods and services – with over \$50 million on food and beverage items across New Zealand and Australia.



\$11.9 million

raised for Leukaemia & Blood Cancer New Zealand via Firefighter Sky Tower Stair Challenge, Step Up Sky Tower Stair Challenge and SkyCity Dining for a Difference since our partnership began

Over

\$57 million

awarded to more than 4,760 community groups and organisations in New Zealand since 1996

Partnerships

Leukaemia & Blood Cancer New Zealand

Firefighters from communities across New Zealand joined forces again to raise more than \$1.3 million for Leukaemia & Blood Cancer New Zealand (the national charity dedicated to supporting patients and their families living with blood cancers and related blood conditions) in the 15th Firefighter Sky Tower Stair Challenge in 2019, with each participant climbing the 1,103 steps of the Sky Tower wearing 25 kilograms of gear.

SkyCity is proud to have Leukaemia & Blood Cancer New Zealand as a charity partner and to have worked together to raise more than \$11.9 million through three annual events – the Firefighter Sky Tower Stair Challenge, Step Up Sky Tower Stair Challenge and SkyCity Dining for a Difference.

Variety – The Children's Charity

SkyCity continued its 19-year partnership with Variety – The Children's Charity, with our 7th annual Variety of Chefs campaign raising over \$85,000. We also supported the charity to deliver Variety Bingo in Auckland, Adelaide and Hamilton.

We are really proud of the partnership we have with Variety, and the support we can provide to continue the important work they do in our communities.



Investing in our Communities

SkyCity Community Trusts

Established to provide funds for community and charitable purposes, the SkyCity Community Trusts are one of the vehicles SkyCity uses to 'put something back' into the New Zealand communities in which the company operates.

The SkyCity Auckland Community Trust, SkyCity Hamilton Community Trust, SkyCity Queenstown Casino Community Trust and SkyCity Wharf Casino Community Trust aim to help local and regional organisations carry out community assistance and development work, focussing on supporting families to thrive and communities to prosper, with a specific focus on youth development.

Each of the Trusts calls for applications once a year with close-off dates in March for Auckland, July for Queenstown and September for Hamilton.

The Trusts prioritise grants to groups or programmes that encourage financial capability, employment and economic prosperity for healthy and stable families and youth. Many of the grants support the salaries and wages of counsellors, case workers, coordinators, coaches, managers, advocates, social workers, team leaders, senior nurses and mentors of these community groups – an area increasingly difficult to find funding for.

Over the past financial year, SkyCity paid a total of \$4.0 million to the four SkyCity Community Trusts for distribution to community groups and organisations in the Auckland, Waikato and Queenstown Lakes regions of which \$2.8 million was distributed by the Trusts in FY19 (assured).

Since establishing the first SkyCity Auckland Community Trust in 1996, SkyCity has awarded over \$57 million to more than 4,760 community groups and organisations in New Zealand, large and small, through the four SkyCity Community Trusts.

Our SkyCity Community Trusts are currently undergoing a review to align with governance, grant making and philanthropic best practice.



Community Outcomes, Strategy and Progress

Building Communities by Developing People

During the 2018 financial year, after engaging with employees from across the SkyCity Group and community representatives (including the youth development, family support and financial capability sectors), SkyCity developed a new community development and investment strategy centred around a thematic approach of “Building Communities by Developing People”. This approach recognises that SkyCity can provide employment opportunity for unskilled, unemployed and at-risk youth within each of the communities within which it operates – we can provide employment, training and a career path.

During the 2019 financial year, SkyCity finalised the operational strategy across the SkyCity Group to deliver this new strategy with the launch of the Nikau Project, a youth employment programme with a focus on developing work-ready skills.

SkyCity worked in collaboration with the Ministry of Social Development and a community-based provider to design a work ready programme – with the first cohort of 15 participants joining the

SkyCity Auckland pilot programme in June 2019, and a further 15 to join in September 2019.

SkyCity has designed and implemented a wraparound youth mentoring support for the cohort and, in partnership with Te Puni Kōkiri, is co-designing individualised learning and development plans for each cadet.

If the pilot programme is successful, the programme is intended to be rolled out to SkyCity's Hamilton and Adelaide sites.

In addition, through collaboration with the SkyCity Auckland Community Trust, greater social impact has been achieved in the areas of youth development and wellbeing through the Trust's prioritisation of youth development and its identification of the following key areas for funding – youth development, including mentoring and transition support; youth wellbeing, including mental health; work readiness and work-related skills and training; and initiatives that support educational achievement.

Underpinning SkyCity's community development and investment strategy is an opportunity to implement a programme for SkyCity staff to take their knowledge and skills out into their communities through volunteer programmes and involvement in the delivery of youth development programmes. This will be rolled out in 2019/2020.

Developing Deeper Connections with Māori

Iwi Māori relationships have been initiated to support and guide the development of SkyCity's youth employment programme, the Nikau Project. Our partnership with Te Puni Kōkiri has enabled young Māori to access cadetships which support their transition into employment with SkyCity.

Through SkyCity's Inclusion Council, Te Roopu Māori o SkyCity, an internal Employee Resource Group has been established to support authentic engagement with Māori staff.



Auckland City Mission's Story

Auckland City Mission received a \$1 million grant over five years (\$200,000 pa) from the SkyCity Auckland Community Trust to contribute to the construction of their new “home” on Hobson Street, Auckland – with 2019 being the third year of the five-year grant.

Auckland City Mission – HomeGround Project

From comforting shell-shocked soldiers in the great wars and helping people living with HIV and AIDS, to proactively managing the homeless problem in Auckland and caring for those individuals who have nobody left to turn to – Auckland City Mission is proud to be on the front line.

In a perfect world, the Mission should not need to exist. But life is rarely perfect, and even today hunger, homelessness and poor health are still major issues in Auckland. As Auckland advances to become one of the most dynamic cities in the Pacific region, we need new, thoughtful, and innovative ways of solving these age-old problems.

The Mission has a history of forward thinking and its answer has been decades in the making. The new City Mission centre, expected to be

ready from 2020, will transform the Auckland City Mission – not just for the good of Auckland, but for countless human lives in the process – offering hope, community and proactive help.

The new centre is unlike anything anywhere in the world. From idea and ambition, to services and layout, it's been carefully planned, painstakingly designed, and shaped by world best practice.

HomeGround Project Facts

- \$90 million fundraising target
- 80 apartments to permanently house people – 50% for the chronically homeless and 50% for those on low incomes on the social housing register
- Fit-for-purpose spaces for City Mission services, administration and offices; the Calder Medical Centre; dental clinic; pharmacy; and detox centre, including 25 beds
- Retail spaces, community spaces, conference and event spaces for all Aucklanders



Source responsibly



Commit to the highest standards of sourcing, ethically, responsibly and locally.

Our Suppliers

We can leverage our relationships with other organisations to promote positive outcomes in areas of impact such as anti-corruption, responsible political advocacy, fair competition and promoting social and environmental responsibility in our supply chain.

Priority Issues

- Ethical and sustainable sourcing practices
- Supply chain transparency
- Using local suppliers

FY19 Performance Highlights

- Continued to advance our leadership in supply chain sustainability by rolling out our Ethical Sourcing Code to current and new suppliers across our sites via the onboarding process for new vendors
- Developed and adopted a new ethical and responsible sourcing strategy for the SkyCity Group
- EcoVadis assessment/audit made mandatory for SkyCity's significant existing suppliers and new suppliers
- As part of a major information technology upgrade, SkyCity can now categorise items in more detail, including country of origin, which will enable SkyCity to modify procurement practices where required to support the intention outlined in SkyCity's Group Procurement Policy – to source and procure locally made and supplied products from Australasian owned and operated businesses as a preference wherever possible
- SkyCity spent over \$450 million with a vast array of suppliers of goods and services (assured)



800 key suppliers

across the SkyCity Group

Over

\$450 million

spent on goods and services

SkyCity has approximately 800 key ongoing significant suppliers across the Group, with a substantial number of these being in the food and beverage sector. As a major purchaser of goods and services (we spent over \$450 million with a vast array of suppliers of goods and services in the financial year ended 30 June 2019), SkyCity has a significant opportunity to use its purchasing power to drive sustainability.

Our approach is to focus on the areas in which we can have the biggest impact in terms of minimising our carbon footprint and with respect to key vendors at high ongoing expenditure levels. These areas include food, beverage, property and marketing portfolios in particular.



Ethical and Sustainable Sourcing Practices

Ethical Sourcing Code

In 2016, we adopted an Ethical Sourcing Code to improve our indirect impact on society and the environment by carefully selecting and working with our suppliers to ensure sustainable procurement.

The Code outlines our alignment with the ten principles of the United Nations Global Compact. It is not a compliance measure in itself, but asks that vendors provide voluntary acknowledgement of our commitment to the principles of the Code.

Through distribution of the Code, we aim to encourage our suppliers to improve their practices and to assist them in doing so, hence

improving the quality of life of the people we touch indirectly and contributing to the protection of the environment.

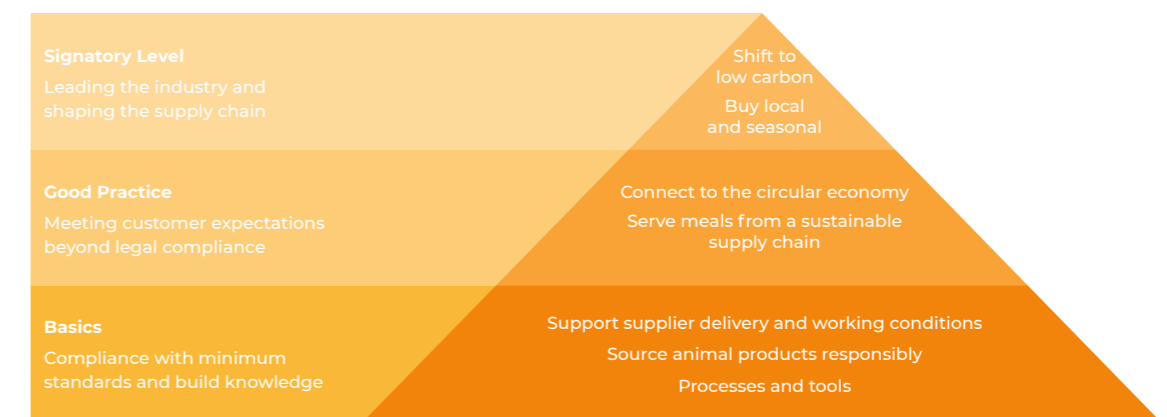
In the past financial year, we have continued to advance our leadership in supply chain sustainability by rolling out our Ethical Sourcing Code to current and new suppliers across our sites via the onboarding process for new vendors.

New Ethical and Responsible Sourcing Strategy

In November 2018, SkyCity engaged sustainability consulting firm, Proxima, to help formulate a Group-wide strategy for this pillar. Their brief was to assist SkyCity using their specialist knowledge of sustainable sourcing practices and understanding of global best practice, to establish a roadmap to improve the sustainability performance of all SkyCity's procurement activities (focussing initially on food and beverage), identify priority procurement challenges to focus on in the shorter-term and define strategic goals and associated metrics.

Following consultation with key internal stakeholders, a new ethical and responsible sourcing strategy was adopted in February 2019. This strategy seeks to minimise negative impacts linked to our operational footprint and to make a positive contribution to the business, people and communities that make up our supply chain.

SkyCity's new ethical sourcing strategy focus areas are outlined in the diagram below:



Supply Chain Transparency and Traceability

Sustainable Supply Chain

In September 2017, we commenced a sustainable supply chain assessment pilot initiative with 129 of our key suppliers in New Zealand. As part of this, we engaged an external provider, EcoVadis, to audit and rate our suppliers against an industry-tailored set of environmental, social and governance criteria and our suppliers were invited to fill out an online questionnaire and provide evidence to support their actions and policies across each criterion. A supplier who completes the assessment receives a rating scorecard that shows areas where they are achieving good practice and areas where they may need to improve. We can therefore identify critical risks

and begin a dialogue with our suppliers with a view to improving sustainability performance over time.

By the end of the 2019 financial year, of the 129 suppliers initially invited to undertake the EcoVadis assessment/audit, 80 New Zealand-based suppliers (representing over \$25 million or approximately 70% of our annual food and beverage procurement spend in New Zealand) had completed the process.

As supplier participation is central to SkyCity's ability to quantify its impact on the supply chain and execute its strategy for this pillar, the EcoVadis assessment/audit was made mandatory for SkyCity's significant existing suppliers and new suppliers during the 2019 financial year. Accordingly, at the end of the 2020 financial year we expect to deploy the EcoVadis system across more of our procurement portfolios capturing professional services, ICT and construction.

We continue to focus on obtaining a clearer picture of our suppliers' supply chains to ensure they align with our Ethical Sourcing Code and new suppliers are asked about their supply practices prior to becoming an approved supplier of the company. However, the scope and geographic spread of our supply chain, and also the wide variety of suppliers we engage with, creates challenges for embedding the Ethical Sourcing Code and ensuring our suppliers are doing more than acknowledging their commitments. Our suppliers are very diverse, ranging from small localised family businesses to global multinationals. In some cases, our suppliers are very small operators and they have few resources to provide detailed information about their policies and sustainability and governance approaches. In other cases, we have had long-standing agreements with suppliers, but have not engaged them before on sustainability issues. As we manage these issues more closely, we will have the opportunity to deepen our engagement with our suppliers on the Ethical Sourcing Code. A key way that we will do that into the future is to undertake supplier sustainability assessments and audits.

Whilst we have made good progress in our supply chain practices to date, we recognise that more focus and attention is required to achieve our objectives. To this end, we have now developed a 24-month Ethical and Responsible Sourcing Strategy Roadmap, which will be embedded into the business during the financial year ending 30 June 2020. We are committed to increasing the clarity around our goals, priorities and metrics for this pillar.



Local Suppliers

As part of a major information technology upgrade implemented in April 2019, SkyCity will be able to categorise items in more detail, including country of origin. This enables SkyCity to modify procurement practices where required to support the intention outlined in SkyCity's Group Procurement Policy - to source and procure locally made and supplied products from Australasian owned and operated businesses as a preference wherever possible.

The policy drives greater rigour in the onboarding of new suppliers and has an emphasis on supplier consolidation and ethical sourcing with SkyCity choosing the best mix of suppliers to meet its business requirements.

In the financial year ended 30 June 2019, SkyCity spent over \$50 million on food and beverage items across New Zealand and Adelaide. This equates to over 17% of our spend when excluding major capital construction projects. We will be continuing to work with our food and beverage suppliers to gain more understanding as to where our products are being sourced to ensure a local focus where practical (assured).

Kitchen Supplies

We operate New Zealand's largest commercial kitchen catering for a diverse range of occasions from corporate events to weddings. We support our local businesses by sourcing through them whenever possible. Here's a glimpse of what our SkyCity Auckland Pastry Kitchen utilised, and produced, in FY19.

 **51,000**
eggs (or 1,700 trays)

 **6.5 tonnes**
of butter (or 13,000 blocks)

 **25 tonnes**
of flour (16 tonnes used for bread and 9 tonnes for cakes)

 **22,000 litres**
of cream (or 11,000 bottles)

 **150,000**
individual desserts produced per month on average



Protect the environment



Actively reduce waste and minimise our environmental impact.

Our Environment

We are dedicated to growing in a sustainable manner with a commitment to environmental sustainability as a foundation for successful economic, social and cultural development.

Priority Issues

- Climate change and emissions
- Reducing waste
- Carbon neutral by 2020

FY19 Performance Highlights

- 379kg of food donated to Kaivolition in FY19 and a total of 2,647kg since March 2015 (not assured)
- 314 tonnes of food waste collected from all SkyCity Auckland kitchens and commercially composted offsite to be used on New Zealand soils to aid the horticulture industry (assured)
- Measured, audited and verified SkyCity's carbon footprint for FY15-FY18 through the Certified Emissions Measurement and Reduction Scheme programme operated by Enviro-Mark Solutions
- Submitted to the Science Based Targets (SBT) initiative, a partnership between CDP, the United Nations Global Compact, the World Resources Institute and the World Wildlife Fund, to set science-based reduction targets from our FY15 base year
- SkyCity was the first hospitality business in Oceania to set science-based targets to help keep the rise in global temperature to well below 2°C
- SkyCity will be among the first major New Zealand companies to go carbon neutral, achieving carbon neutrality across our New Zealand sites in 2019
- The Sugar Club developed New Zealand's first ever low carbon menu in partnership with Enviro-Mark Solutions and WWF New Zealand and included a 'low carbon icon' into the restaurant menu

Working within the limits of the natural environment will allow current and future generations to benefit from its resources to ensure continual economic and social prosperity, which we believe results in business continuity and positive impacts on staff and stakeholder wellbeing.



Reducing Waste

SkyCity's Auckland and Hamilton sites have implemented a food waste redirection and recovery programme.

In Hamilton, SkyCity has partnered with Kaivolution, a Go Eco Climate Action Project that rescues edible and useable kai that would have otherwise gone to waste or landfill and redistributes it as free kai to registered community groups and charities. During the past financial year, SkyCity donated 379kg of food to Kaivolution – bringing the total amount donated since the programme began in March 2015 to 2,647kg (not assured).

In Auckland, SkyCity donates food to the Auckland City Mission. Food that cannot be donated from the SkyCity Auckland kitchens is collected and commercially composted offsite to be used on New Zealand soils to aid the horticulture industry. During the past financial year, through the efforts of our kitchen teams, SkyCity sent 314 tonnes of food waste to be commercially composted (assured).

Implementing a food waste composting system has allowed SkyCity to also benefit from commercial composting to reduce single use plastics. SkyCity is transitioning from traditional plastic to commercially compostable food and beverage packaging, such as takeaway coffee cups and lids, straws, plates, containers and cutlery. The packaging is made from rapidly replenishing plant-based material and can be disposed of in food waste bins.



Climate Change and Emissions

As part of SkyCity's commitment to climate action, over the past financial year, we have measured, audited and verified SkyCity's carbon

footprint for FY15–FY18 through the Certified Emissions Measurement and Reduction Scheme (CEMARS) programme operated by Enviro-Mark Solutions, a government-owned environmental certifications body in New Zealand.

Although SkyCity is not a major emitter of greenhouse gases, we recognise the role that we need to play in reducing our impacts. During the past financial year:

- SkyCity submitted to the Science Based Targets (SBT) initiative, a partnership between CDP (formerly Carbon Disclosure Project), the United Nations Global Compact, the World Resources Institute and the World Wildlife Fund, to set science-based reduction targets from our FY15 base year. Targets are science-based when in line with the level of decarbonisation required to keep global temperature increase well below 2°C. As part of this, SkyCity has committed to reduce absolute scope one and scope two Green House Gas (GHG) emissions by 38% by 2030 and by 73% by 2050 (from a 2014-2015 base year) and that 67% of SkyCity's suppliers, by spend covering purchased goods and services and capital goods, will set science-based scope one and scope two targets by the year 2023;
- SkyCity became the first hospitality business in Oceania to set science-based targets to help keep the rise in global temperature to well below 2°C; and
- SkyCity announced that it would be among the first major New Zealand companies to go carbon neutral.

Climate Change Strategy

In February 2019, SkyCity announced a climate change strategy that would see SkyCity's New Zealand sites become carbon neutral by 30 September 2019, with SkyCity's Adelaide site achieving carbon neutrality by 30 September 2020.

As part of this strategy, a SkyCity Green Fund will be established – funded by an internal carbon levy paid by each of SkyCity's Auckland, Hamilton, Queenstown and Adelaide sites relative to each site's emissions. The levy is an internal charge of \$25 per tonne of carbon, in line with the New Zealand Government's price of carbon under the Emissions Trading Scheme.

Funds from the levy will be used to offset SkyCity's carbon footprint to net zero by investing in emission reduction projects selected by Enviro-Mark Solutions.

The SkyCity Green Fund also accrues and invests in projects identified and developed by SkyCity employees to reduce SkyCity's carbon emissions in accordance with its science-based targets set in 2019.

SkyCity employees also have the opportunity to measure and offset their own household carbon footprints, with SkyCity matching their offset dollar-for-dollar by payment into the SkyCity Green Fund.

The New Zealand International Convention Centre, currently under development in Auckland, will operate as a carbon neutral venue following completion of construction in 2020 – the only one of its kind in the Asia Pacific region.

The New Zealand International Convention Centre has also adopted a sustainability management plan and will participate in globally recognised, independent verification programmes, including the Leadership in Energy and Environmental Design's (LEED) Green Building Rating System. The New Zealand International Convention Centre aims to achieve a certified status following the assessment of the sustainable nature by which the centre has been designed, built and delivered.

Climate Change Governance and Risks

SkyCity's climate change strategy is overseen by the Board's Sustainability Committee. A management-led Climate Change Committee is responsible for working with wider operational management to execute the strategy.

In line with the recommendations of the Task Force on Climate-related Financial Disclosures, SkyCity is building a comprehensive risk register of climate related risks as per the recommendations summarised in the table overleaf.

In May 2019, the Climate Change Response (Zero Carbon) Amendment Bill was introduced into the New Zealand Parliament and provides a framework by which New Zealand can develop

and implement clear and stable climate change policies that contribute to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5°C above pre-industrial levels. The Bill is expected to go to the Select Committee in the second half of 2019 with the amended Climate Change Response Act 2002 expected to come into force in late 2019. The resulting national and local response plans will then critically inform SkyCity of its own detailed risks and response plans.

SkyCity is also a signatory to the Climate Leaders Coalition, a group representing a variety of businesses from different industries which contribute to nearly half of New Zealand's emissions. The group's goal is to help New Zealand transition to a low emissions economy and, in doing so, create a positive future for New Zealanders, business and the economy. Members of the Climate Leaders Coalition have signed a joint Climate Change Statement, which commits their companies to action and is the group's first step in their drive for positive change. By signing the statement, each of the business leaders have committed to:

- measuring their greenhouse gas emissions and publicly reporting on them;
- setting a public emissions reduction target consistent with keeping within 2°C of warming;
- working with their suppliers to reduce their greenhouse gas emissions;
- supporting the Paris Agreement and New Zealand's commitment to it; and
- supporting the introduction of a climate commission and carbon budgets enshrined in law.

The Climate Leaders Coalition recognises the role that business can play in bringing about change and demonstrates the significant leadership direction being taken by businesses on the issue of climate change.

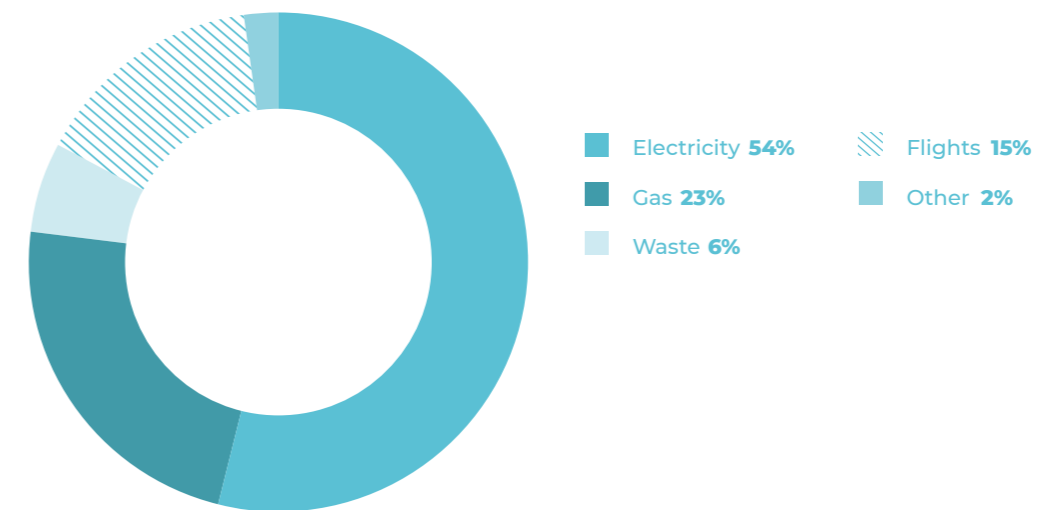
Nature of Risk	Description and Impact	
Physical risks	Rise in global temperatures	Increased load on air conditioning, increased power outages, increased reliance on generators, increased fire risk in Adelaide and a reduced ski season in Queenstown
	Increase in violent weather events, including cyclone, sea surge, tornado	Damage to property, business interruption, undrinkable water, gas leaks, power outages, increased reliance on generators, reduced visitation/tourism and the need for new infrastructure to be more resilient
	Rise in sea levels	Salt intrusion in soils impacting supply chain
Market and reputational risks and opportunities	<ul style="list-style-type: none"> • Shift in consumer preferences, increasing societal pressure to participate in green economy and the stigma of not participating • Potential for banks to increase cost of funds for non-green entities • Increasing long term focus by investors in green funds, which could impact SkyCity's share price • Increased challenges with tourism around New Zealand (erratic weather) increases the opportunity for an indoor "proxy" experience • Potential for New Zealand to become a more attractive tourism destination for its "green" status 	
Policy and legal risks	<ul style="list-style-type: none"> • Increase in compliance and reporting costs associated with measuring, demonstrating and actioning new requirements • Change in policy and regulations (new building construction, building fit outs and remedial work to maintain building warrant of fitness) 	
Economic risks and opportunities	<ul style="list-style-type: none"> • General increase in cost of doing business (through an emissions trading scheme and/or value chain risk), including fuel, water, waste water, electricity, gas, transportation, taxes, waste disposal, certain goods and services, and insurance • Prohibition of non-green consumables, which may cost more or less than alternative green consumables • Change in infrastructure and furniture, fixtures, and equipment (FFE) costs (green standards, energy efficiency, electric vehicles and other green technology) • SkyCity will be considering carbon in future investment and divestment opportunities 	

Low Carbon Menu Introduction

SkyCity Auckland restaurant The Sugar Club has developed New Zealand's first ever low carbon menu in partnership with Enviro-Mark Solutions and WWF New Zealand. The menu was launched on World Environment Day in June 2019 and uses only locally sourced ingredients. Following the launch, a new low carbon dish, identified by a 'low carbon icon', has been added permanently to the restaurant menu alongside The Sugar Club's vegan options and range of cocktails using sustainably sourced ingredients.

SkyCity aims to add low carbon dishes to other restaurant menus across all SkyCity locations.

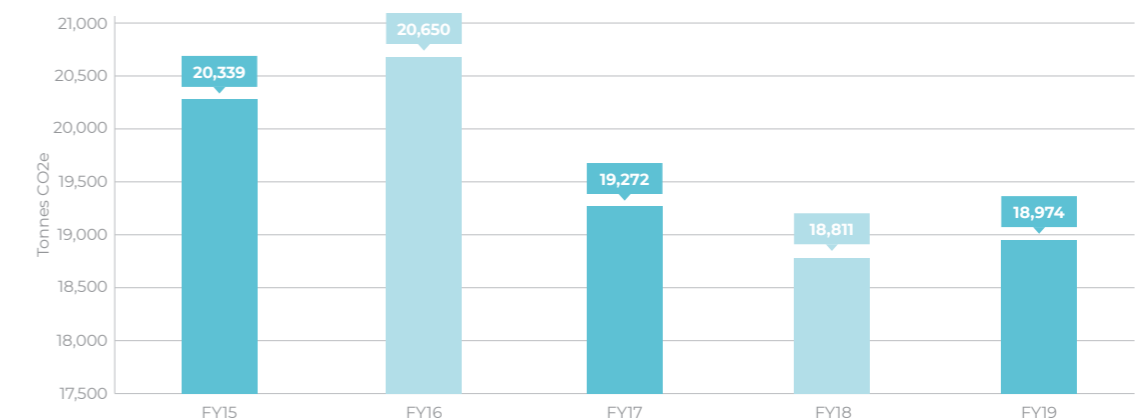
FY19 Carbon Footprint Inventory (not assured)



FY15–FY19 Performance

The following tables summarise SkyCity's key environmental performance data for FY15–FY19. SkyCity has continued efforts to reduce its carbon footprint – with Scope 1 and 2 emissions combined reducing by 13% since FY15 and emissions from waste reducing by 21%, whilst SkyCity's business has grown. The increase in absolute carbon from FY18 to FY19 was due to increased air travel across the Group, which SkyCity will look to reduce in FY20 through better utilisation of Skype for Business and economy class flights.

Total Emissions (Scope 1, 2 and 3) (not assured)

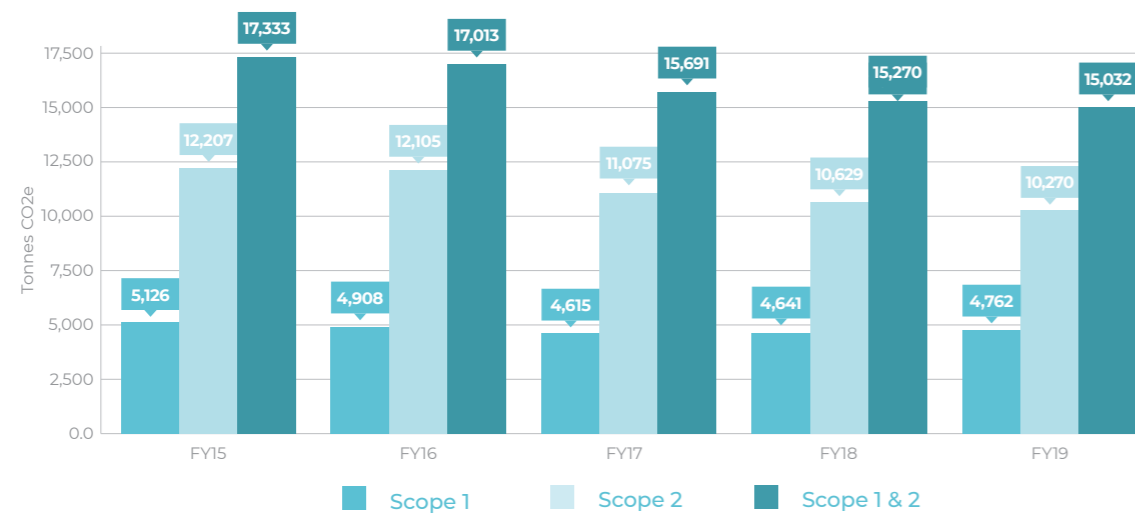


Independent Limited Assurance Statement

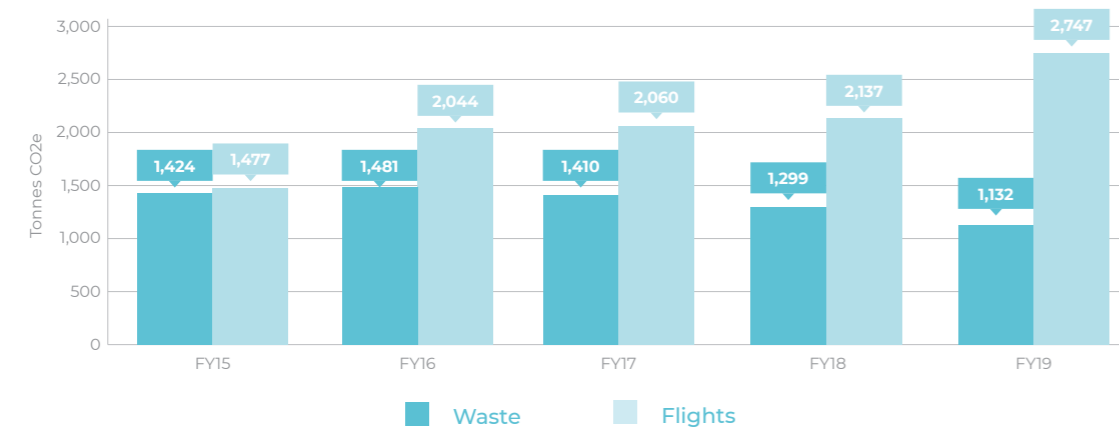


Independent Limited Assurance Statement to the Management and Directors of SkyCity Entertainment Group Limited

Scope 1 and 2 Emissions (not assured)



Scope 3 Emissions (not assured)



Scope Definitions

Through the CEMARS programme, SkyCity must report all Scope 1, Scope 2 and Scope 3 emissions (unless deemed de minimis), where:

- Scope 1 emissions are direct emissions from sources owned or controlled by SkyCity – for example, gas (LPG and natural), fuel combustion from company vehicles, rental cars and leased fleet, and refrigerant and air conditioning systems;
- Scope 2 emissions are indirect emissions from electricity purchased by SkyCity; and
- Scope 3 emissions are indirect emissions from sources not owned or controlled by SkyCity but resulting from SkyCity's activities – for example, travel (including short and long-haul air travel), waste sent to landfill and freight/couriers (for items exceeding 2kg).

Our Conclusion

Ernst & Young ('EY', 'we') was engaged by SkyCity Entertainment Group Limited ("SkyCity") to undertake limited assurance as defined by the International Standards on Assurance engagements (New Zealand), over disclosures associated with selected sustainability performance data included in SkyCity's Annual Report for the year ended 30 June 2019. Based on our procedures, nothing came to our attention that caused us to believe that the agreed sustainability performance data detailed in the table below has not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered

We reviewed the sustainability performance data for 12 of SkyCity's Annual report disclosures included in its Annual Report for the year ended 30 June 2019. The sustainability performance data metrics covered by our assurance procedures are detailed in the table below.

Sustainability performance data	Report page
• Customer exclusions at SkyCity Properties FY15 to FY19	56
• SkyCity gender pay gap (%) as at 30 June 2019	66
• Total Headcount for Group (%) as at 30 June 2019	70
• Worked Full-Time Equivalent (FTE) by site (%)	70
• Employment contract type for Group (%)	70
• Total Recordable Injury Frequency Rate (TRIFR) % change from FY18 - FY19	63
• Total amount paid by SkyCity to the four New Zealand SkyCity Community trusts for the year ended 30 June 2019	11, 73, 76
• Total 'Committed grants' from SkyCity's New Zealand Community Trusts the year ended 30 June 2019	73, 76
• Total procurement spend for the year ended 30 June 2019	73, 74, 79
• Total food and beverage spend for the year ended 30 June 2019	74, 82
• % of total FY19 procurement spend (excluding major capital construction projects) on food and beverage items.	82
• Food waste (Tonnes) from SkyCity Auckland sites in FY19	85

Criteria applied by SkyCity

The criteria for our assurance engagement included the Global Reporting Initiative (GRI) Standards and SkyCity's own published criteria, as detailed within the SkyCity Entertainment Group Annual Report for the year ended 30 June 2019 available at: <https://www.skycityentertainmentgroup.com>.

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a conclusion on SkyCity's selected sustainability performance data metrics based on our procedures.

We were also responsible for maintaining our independence and confirm that we have met the requirements of the *External Reporting Board of New Zealand*, and have the required competencies and experience to conduct this assurance engagement.

SkyCity's responsibility

SkyCity's management ("management") was responsible for selecting the Criteria, and preparing and fairly presenting the sustainability performance data metrics in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records and making estimates that are reasonable in the circumstances.

Our approach to conducting the engagement

We conducted this engagement in accordance with the International Standard on Assurance Engagements ISAE (NZ) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the terms of reference for this engagement as agreed with SkyCity on 5 July 2019.

A member firm of Ernst & Young Global Limited

Summary of procedures performed

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the sustainability performance data and related information, and applying analytical and other review procedures.

Our procedures included, but were not limited to:

- ▶ Conducting interviews with personnel to understand the business and reporting process
- ▶ Conducting interviews with key personnel to understand the process for collecting, collating, and reporting the sustainability performance data during the reporting period
- ▶ Undertaking analytical review procedures to support the reasonableness of the data
- ▶ Identifying and testing assumptions supporting the calculations
- ▶ Testing, on a sample basis, underlying source information to check the accuracy of the data
- ▶ Performing recalculations of performance data metrics to confirm quantities stated were replicable
- ▶ Reviewing the appropriateness of presentation of disclosures

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of SkyCity or for any purpose other than that for which it was prepared.

Ernst & Young Limited

Graeme Bennett
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Auckland
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Committed to maintaining the highest standards



Corporate Governance Statement and Other Disclosures

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 New Zealand and Australian stock exchanges, these cornerstone principles, detailed below and on the following pages, reflect the Listing Rules and Corporate Governance 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 is listed as a 'Foreign Exempt Listing' on the ASX. 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 Code, during the financial year ended 30 June 2019. 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 details the extent to which employees can commit the company. These delegated authorities are approved by the Board and are subject to annual review by the Board.

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

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

2. Structure the Board to Add Value

Board effectiveness requires the efficient discharge of the duties imposed on the directors by law and the addition of value to the company.

To achieve this, the SkyCity Board is structured to:

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

Board Composition and Skills Matrix

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.

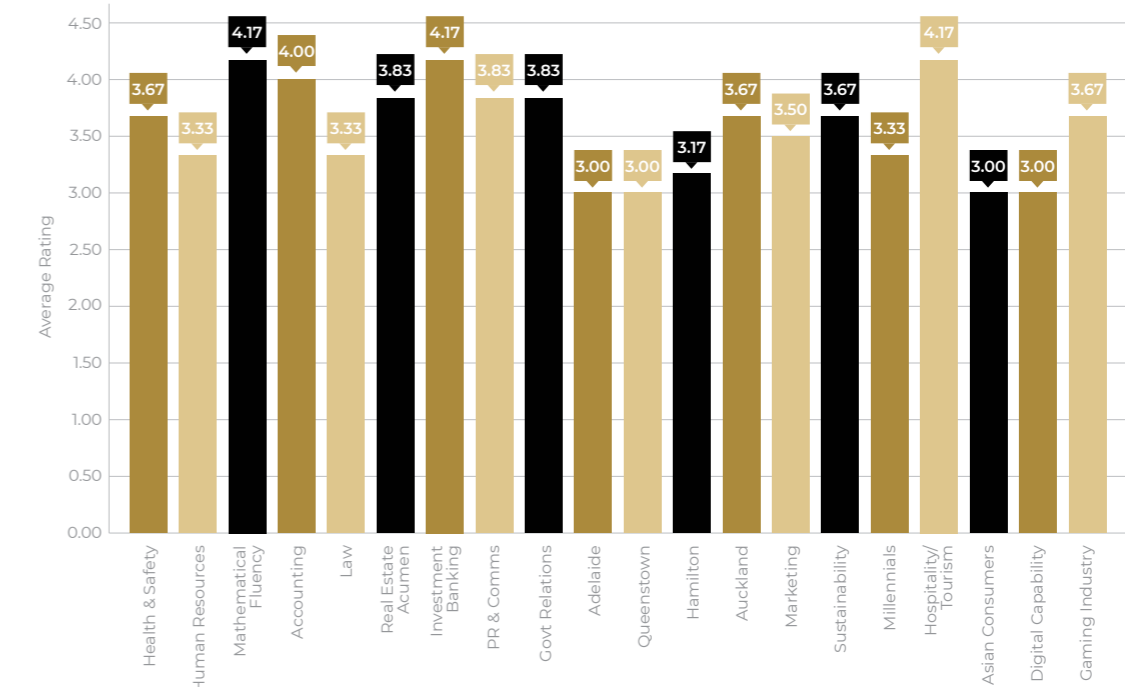
The areas of expertise and experience determined by the Board as being the key competencies required to meet these objectives were most recently agreed by the Board in May 2018 and include:

- gaming industry experience and understanding;
- understanding of Asia and Asian consumers;
- local market knowledge of Auckland;
- local market knowledge of Adelaide;
- 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;
- marketing;
- digital capability and exposure;
- sustainability; and
- millennial understanding.

In June 2019, Board members completed a self-assessment survey to identify the Board's overall competency in relation to the above areas of expertise and experience. The results of the survey are set out in the table below – where 1 indicates low competency and 5 indicates high competency. Details of individual expertise and experience of the directors are set out on pages 40–43 of this annual report.

Director Competencies



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 chair from the Chief Executive Officer position. The Board Charter requires the Board chair and (where appointed) deputy chair 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 Main Board Listing Rules and has taken into account the independence guidelines as recommended in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (ASX Independence Guidelines).

At its June 2019 meeting, the Board reviewed the status of each director in accordance with the definition of independence set out in the NZX Main Board Listing Rules and taking into account the ASX Independence Guidelines and determined that all current non-executive directors were independent at the balance date having regard to the factors described in the NZX Corporate Governance Code and ASX Independence Guidelines that may impact director independence.

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 training and regular visits to the company's key operations. The Board also undertakes periodic educational trips (as a group and/or individually) to observe and receive briefings from other companies in the gaming and entertainment industries. The most recent group educational Board trip was to the United States and Canada in March 2019.

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 chair 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 standing committees – the Audit and Risk Committee, Governance and Nominations Committee, People and Culture Committee and Sustainability Committee.

The members of each of these committees are non-executive directors and the non-executive directors of the Board appoint the chair of each committee.

Each of these committees 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.

From time to time, the Board creates specific sub-committees to deal with a particular matter or matters and/or to have certain decision-making authority as the Board may elect to delegate to that sub-committee. As at 30 June 2019, the Board had established a sub-committee to oversee the New Zealand International Convention Centre and Horizon Hotel development and a separate sub-committee to oversee the Adelaide Casino expansion project.

Board and Committee Membership

The following table lists the members and chair of the SkyCity Board and each of its four formally appointed standing committees as at 30 June and as at the date of this annual report.

Biographical details of individual directors, and their respective qualifications and experience, are set out on pages 40–43 of this annual report.

BOARD		Appointment to Office	GOVERNANCE AND NOMINATIONS COMMITTEE	
Chair	Rob Campbell	25 June 2017	Chair	Rob Campbell
Deputy Chair	Bruce Carter	12 October 2010	Members	Bruce Carter
Members	Sue Suckling	9 May 2011		Sue Suckling
	Richard Didsbury	20 July 2012		Richard Didsbury
	Jennifer Owen	5 December 2016		Jennifer Owen
	Murray Jordan	5 December 2016		Murray Jordan
AUDIT AND RISK COMMITTEE			SUSTAINABILITY COMMITTEE	
Chair		Bruce Carter	Chair	Sue Suckling
Members		Rob Campbell	Members	Rob Campbell
		Jennifer Owen		Richard Didsbury
PEOPLE AND CULTURE COMMITTEE				
Chair		Murray Jordan		
Members		Rob Campbell		
		Jennifer Owen		

Board and Committee Meeting Attendance

The following table shows director attendance at Board meetings and committee member attendance at committee meetings (both scheduled and unscheduled) during the financial year ended 30 June 2019.

	BOARD	AUDIT AND RISK	PEOPLE AND CULTURE ⁽¹⁾	GOVERNANCE AND NOMINATIONS	SUSTAINABILITY ⁽²⁾
TOTAL NUMBER OF MEETINGS	7	6	5	1	3
Rob Campbell	7	6	5	1	3
Bruce Carter	7	6	–	1	–
Sue Suckling	7	–	–	1	3
Richard Didsbury	7	–	–	1	3
Jennifer Owen ⁽³⁾	7	6	3	1	–
Murray Jordan	7	–	5	1	–
Brent Harman ⁽⁴⁾	2	–	2	–	–

(1) The Remuneration and Human Resources Committee was renamed the People and Culture Committee on 17 April 2019.

(2) The Corporate Social Responsibility Committee was renamed the Sustainability Committee on 17 April 2019.

(3) Jennifer Owen was appointed a member of the People and Culture Committee effective from 20 October 2018.

(4) Brent Harman retired as a director effective 19 October 2018.

3. Integrity and Ethical Behaviour

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.

Sustainability

To help the company define its responsibilities and the effectiveness of its activities, SkyCity maintains operational supervision of its sustainability activities through management as well as governance-level oversight through the Board's Sustainability Committee. This Committee directs all the company's commitment to care activities and is responsible for developing and maintaining SkyCity's sustainability policies.

The Sustainability Committee focusses on the five pillars of the company's sustainability strategy, which are described in further detail on pages 48–90 of this annual report together with details of SkyCity's sustainability activities.

Code of Conduct

The Sustainability 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 Conduct (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 Conduct 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 Conduct.

Trading in Securities

The company maintains a Securities Trading Policy (available on 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.

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 Main Board 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.

4. Safeguard the Integrity of the Company's Financial Reporting

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

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

The Audit and Risk Committee and the Board undertake sufficient inquiry of the company's management and the company's internal and external auditors in order to enable them to be satisfied as to the validity and accuracy of the company's financial reporting. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing 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 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 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 financial year ended 30 June 2019 are set out in note 5 to the financial statements. Fees for audit and tax compliance work for the financial year ended 30 June 2019 represent 57% 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, Australian Corporations Act 2001, NZX Main Board Listing Rules 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.

Jo Wong, 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 chair 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;
- 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 risk management framework for the identification, assessment, monitoring and management of risk to the company's business.

SkyCity maintains an independent, centrally-managed Group Risk function which evaluates and reports on risks and controls across the Group. Management is required to report to the Audit and Risk Committee and Board on the effectiveness of the company's management of its material business risks at least annually.

The Audit and Risk Committee approves the assurance plan, with results and performance of the organisation's risk and controls regularly reviewed by both the Committee and the

external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Risk Committee 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 control which aligns to the policies of the Board, and that the company's risk management and internal control systems are operating efficiently and effectively in all material respects. The most recent confirmations were provided by the Chief Executive Officer and Chief Financial Officer in August 2019.

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

SkyCity's ability to create and 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 outlined on pages 36–39 of this annual report.

8. Performance Evaluation

Evaluation of the 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.

A self-evaluation questionnaire was completed by each of the directors and select management in December 2018 for the purpose of evaluating the Board's performance. The findings of the review were discussed at the Board's February 2019 meeting.

In June 2019, the Board agreed to participate in an independently facilitated Board evaluation process in late 2019 by a specialist facilitator with significant experience in board evaluations.

Evaluation of Senior Management

The Board undertakes the performance review of the Chief Executive Officer and reviews the performance 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 People and Culture 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 People and Culture Committee are outlined in the People and Culture Committee Charter (available in the Governance section of the company's website at www.skycityentertainmentgroup.com), which is reviewed annually by the Board.

The People and Culture Committee oversees the management of people and culture related activities of the company, the senior management structure, senior executive performance, remuneration and incentive plans, 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 Committee is also responsible for annually reviewing non-executive director fees.

The Board-approved Remuneration 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 managers with the interests of shareholders.

A range of market data and specific benchmarking reports are used to ensure market relativity of senior executive positions, including research and reports from independent remuneration consultants. The People and Culture Committee regularly reviews changes in remuneration laws and practices and market trends and amends the company's practices to ensure they are appropriately aligned.

During the financial year ended 30 June 2019, there were two material changes to SkyCity's remuneration policies:

- a new incentive scheme, the Performance Incentive Plan, was introduced for the 2019 financial year. The Performance Incentive Plan provides selected employees the opportunity to earn a cash payment under a short term incentive scheme and to acquire restricted share rights under a deferred short term incentive scheme. Further details of the Performance Incentive Plan are outlined on pages 108–110 of this annual report; and
- the 2018 SkyCity Executive Long Term Incentive Plan was introduced, with the first grants under the plan made in August 2018. The plan has been designed to better align the remuneration of the Chief Executive Officer and other group executives with the creation of shareholder value over the long term, and replaces grants, going forward, under the former SkyCity Senior Executive Long Term Incentive Plan. Further details of the 2018 SkyCity Executive Long Term Incentive Plan are outlined on pages 110–112 of this annual report.

SkyCity's remuneration strategy and policies are based on a "pay for performance" philosophy. The People and Culture Committee has reviewed the structure of SkyCity's incentive schemes to ensure they are competitive and effective to enable the company to attract and retain the leadership and talent required to drive business strategy and financial performance in the interests of shareholders. Any subsequent change to the company's remuneration strategy and/or policies will continue to reflect SkyCity's "pay for performance" philosophy and drive shareholder value.

Non-Executive Directors Fees

This section details the company's approach to fees for non-executive directors for the financial year ended 30 June 2019.

The company's Non-Executive Director Remuneration Policy (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.

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

SkyCity also meets the expenses incurred by directors in relation to company matters, which are incidental to the performance of their duties, including travel.

At the 2018 annual meeting, shareholders approved, effective from 1 July 2018, a total remuneration amount for non-executive directors of \$1,440,000 per annum (plus GST, if any).

The following table outlines the approved non-executive directors' fees (exclusive of GST, if any) for the Board and its committees as at 30 June 2019:

APPROVED POSITION FEES (PER FINANCIAL YEAR)		
Board	Chair	\$280,000
	Deputy Chair	\$160,000
	Non-Executive Director	\$128,500
Audit and Risk Committee	Chair	\$35,000
	Member	\$15,000
People and Culture Committee	Chair	\$35,000
	Member	\$15,000
Sustainability Committee	Chair	\$35,000
	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 Chair does not receive separate fees for the Board committees that he sits on.

In accordance with the company's Non-Executive Director Remuneration Policy, which specifies that shareholder approval for increases to the total non-executive director fee pool will be sought on an annual basis, at its June 2019 meeting, the Board reviewed SkyCity's current total non-executive director remuneration pool and Board and committee fees against a comparator group and available data on board fee movements in both New Zealand and Australia. Following this review, the Board has determined that no request for additional directors' fees will be made for the financial year commencing 1 July 2019.

Share Ownership in SkyCity

To further align non-executive directors' interests with those of shareholders, each non-executive director is encouraged, over a period of two years from appointment, to build up and retain shares in the company (purchased on market by each non-executive director) equivalent to at least one year of their base non-executive director fees. Following this initial two-year period, non-executive directors are then encouraged to acquire 15% of their base director fees per year.

Non-Executive Director Fees for the year ended 30 June 2019

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 2019 are as listed in the table overleaf.

FY19 Non-Executive Director Remuneration and Benefits	BOARD AND COMMITTEE FEES	OTHER
Rob Campbell	\$280,000.00	
Bruce Carter	\$195,000.00	
Richard Didsbury	\$143,600.00	\$16,800.00 ⁽³⁾
Sue Suckling	\$163,500.00	\$2,586.37 ⁽⁴⁾
Jennifer Owen ⁽¹⁾	\$153,983.87	
Murray Jordan	\$163,500.00	\$11,700.00 ⁽⁵⁾
Brent Harman ⁽²⁾	\$43,204.30	\$2,315.77 ⁽⁴⁾

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

(1) Jennifer Owen was appointed as a member of the People and Culture Committee effective 20 October 2018.

(2) Brent Harman retired as a director effective 19 October 2018.

(3) Being fees payable for consultancy services provided by Richard Didsbury in relation to the New Zealand International Convention Centre development, which were provided as additional services outside of his capacity as a director of the company – of which \$12,000.00 was accrued but unpaid as at 30 June 2019.

(4) 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).

(5) Being fees payable for consultancy services provided by Murray Jordan 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.

Remuneration of Employees

This section details the company's approach to remuneration frameworks, outcomes and performance of SkyCity's Chief Executive Officer, other group executives and employees for the financial year ended 30 June 2019.

Chief Executive Officer and Other Group Executives

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 where the fixed portion comprises a base salary, a KiwiSaver/superannuation contribution and a limited number of other benefits and the variable portion comprises both short term incentive at-risk remuneration (STI) and long term incentive at-risk remuneration (LTI).

The Board determines appropriate levels of fixed remuneration taking into account recommendations from the People and Culture Committee. The STI component 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 disclosures on the following pages of this annual report reflect the total rewards earned by, although not necessarily paid to, group executives for the financial year ended 30 June 2019 as the Board believes this approach more appropriately describes executive pay and performance. Accordingly, the following disclosures include the STI and LTI components earned by group executives in respect of the financial year ended 30 June 2019 notwithstanding that the Board approved STI awards will be granted in August/September 2019.

Fixed Remuneration

The company endeavours to set fixed remuneration at levels that are relative to similar positions in the broader Australasian market and, for 'casino-specific' positions, account is taken of salaries within the sector.

To assist the People and Culture Committee in its remuneration deliberations, external remuneration benchmarking specialists are commissioned on a regular basis to survey remuneration at SkyCity against external comparator markets as relevant and appropriate (eg. industry and geography).

Fixed remuneration is reviewed annually for each group executive and, when appropriate, the People and Culture Committee approves remuneration increases for group executives.

Short Term Incentive Remuneration

To drive outstanding company and individual performance, SkyCity introduced the Performance Incentive Plan (PIP) for the Chief Executive Officer, other group executives and senior managers in FY19.

The PIP:

- recognises and rewards short and longer term performance by providing participants an opportunity to be further aligned with shareholders' interests by earning, subject to the company achieving its financial performance gateway, an incentive award which is delivered in cash and deferred equity awards (in the form of restricted share rights in the company); and
- provides participants the opportunity to earn a cash payment under a STI scheme and acquire restricted share rights under a deferred STI scheme.

Each restricted share right granted under the PIP is a right to receive one ordinary share in the company, which only vests if the relevant employee satisfies the specified vesting criteria.

For the financial year ended 30 June 2019, 86 employees (excluding the Chief Executive Officer and other group executives) will receive a total of \$2,481,738 in cash payments and \$1,938,048 in restricted share rights in August/September 2019 under the PIP.

For the financial year ending 30 June 2020, 476 employees will be invited in September 2019 to participate in the PIP for the opportunity to earn a cash payment under the STI scheme – 102 of whom also have the opportunity to acquire restricted share rights under the deferred STI scheme.

STI Scheme Component of PIP

In respect of the financial year ended 30 June 2019, 70% of each participant's STI target award was determined based on the company's financial performance and the remaining 30% was determined based on a small number of personal goals which were aligned to the strategic priorities of the company.

STI awards will be delivered in cash at the end of the financial year following the completion of the external audit of the company's year-end results, where the maximum award under the STI is 150% of the target award.

Deferred STI Component of PIP

The deferred STI scheme under the PIP offers participants, subject to the relevant STI performance conditions being met, the opportunity to acquire restricted share rights of an amount equivalent to between 10% and 50% of their base salary. Restricted share rights (if any) issued to a participant on a STI cash payment date (Declaration Date) will only vest if that participant remains an employee up and until:

- the first anniversary of the Declaration Date in respect of 50% of the restricted share rights; and
- the second anniversary of the Declaration Date in respect of the remaining 50% of the restricted share rights.

However, if a participant's deferred STI entitlement in any financial year is to restricted share rights having a value of \$10,000 or less (calculated using the volume-weighted average sale price of SkyCity shares used to determine the number of restricted share rights to be issued to the participant), the restricted share rights will not be split out equally into two separate tranches, but will instead comprise one tranche and (subject to the vesting criteria being satisfied) vest to the participant on the first anniversary of the Declaration Date.

Upon vesting, a participant will be allocated one ordinary share in the company for each restricted share right that vests as soon as practicable after the relevant anniversary of the Declaration Date. Subject to complying with the Company's Securities Trading Policy and Code of Conduct, participants are free to sell, transfer or otherwise deal with shares issued to them under the PIP (subject to minimum shareholding requirements for the Chief Executive Officer and other group executives).

The intention of the deferred STI component under the PIP is to act both as a retention and an engagement tool. The maximum award under the deferred STI scheme is 150% of the target award.

Any unvested restricted share rights will be forfeited if a participant ceases to be employed by SkyCity (or a company in the SkyCity Group) before the relevant Declaration Date, although the Board has discretion to determine otherwise such as where a participant ceases to be an employee due to injury, permanent disability, ill health or redundancy, or dies. In the case of a group executive however, if he/she ceases

employment for any reason (other than as a result of the termination of their employment by SkyCity for cause, including for serious misconduct) prior to vesting of any restricted share rights, and they have been employed by SkyCity for at least three years as at the date of cessation of his/her employment, then he/she will continue to be eligible to have shares transferred to him/her on the first and second anniversaries (as applicable) of the Declaration Date as if their employment had not ceased, at the discretion of the Board. As a rule, a group executive will not be eligible to the extent they are terminated for cause, breach the terms of their employment agreement or for underperformance.

In the event that a genuine error is made by, or on behalf of, the Board or the company in determining any entitlement under the PIP, including where the company's financial statements are subsequently required to be restated, the Board may seek to recover from a participant the value of any benefits erroneously awarded to a participant under the PIP.

Restricted share rights issued under the PIP may not be transferred, assigned or disposed of and participants may not create any interest in favour of any third party over the restricted share rights (except with Board approval).

Long Term Incentive Remuneration

Three LTI plans were in operation during the financial year ended 30 June 2019 for the company's most senior employees, including the group executives. These plans were the SkyCity Senior Executive Long Term Incentive Scheme, the 2018 SkyCity Executive Long Term Incentive Plan and the SkyCity Executive Cash Award Plan. Copies of the plan documents and rules are available on the governance section of the company's website at www.skycityentertainmentgroup.com.

In the financial year ended 30 June 2019, grants were made to the Chief Executive Officer and

other group executives under the 2018 SkyCity Executive Long Term Incentive Plan.

To further align the group executives' interests with those of shareholders, each group executive is encouraged, over a period of five years, to build up and retain shares in the company (acquired under the PIP and/or 2018 SkyCity Executive Long Term Incentive Plan) equivalent to at least one year of their base salary.

2018 SkyCity Executive Long Term Incentive Plan

The 2018 SkyCity Executive Long Term Incentive Plan (2018 LTI Plan) was introduced in 2018 to replace the earlier SkyCity Senior Executive Long Term Incentive Plan.

The 2018 LTI Plan is substantially similar to the earlier SkyCity Senior Executive Long Term Incentive Plan in that participants 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 participants for a restrictive period of three years until certain performance hurdles are met. The following material enhancements were included in the 2018 SkyCity Executive Long Term Incentive Plan to align remuneration with the creation of shareholder value over the long term:

- 50% of the shares are allocated to an absolute total shareholder return (TSR) tranche which includes a cost of equity premium;
- the remaining 50% of the shares are allocated equally to each of an NZX comparator group tranche, an ASX comparator group tranche and a competitor comparator group tranche; and
- performance is assessed three years after the issue of the shares, with no retesting dates in the event the performance hurdles are not satisfied as at that date.

In order to determine whether any shares will vest in a participant following the three-year restrictive period for those shares, each tranche is measured against the performance hurdle for that tranche on the performance testing date for those shares, where the performance hurdle for each of the tranches is:

- for the absolute TSR tranche, a comparison of SkyCity's TSR over the restrictive period against the cost of equity for the SkyCity Group over the restrictive period as determined by the Board;
- for the NZX comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of the constituent entities of the NZX 50 index (as at the grant date, other than SkyCity) over the same period;
- for the ASX comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of the constituent entities of the ASX 200 index (as at the grant date, other than SkyCity) over the same period; and
- for the competitor comparator group tranche, a comparison of SkyCity's TSR over the restrictive period against the TSR of each of Crown Resorts Limited and The Star Entertainment Group Limited over the same period.

As at 30 June 2019, a total of 434,035 shares were issued under the 2018 LTI Plan and held by Public Trust on behalf of 8 participants. The shares vest in a participant only when performance hurdles set by the Board of directors are met.

The maximum award under the 2018 LTI Plan is 100% of the relevant grant allocation.

The transfer of shares to participants at the end of the three-year restrictive period is dependent on satisfaction of the performance conditions and continued employment with SkyCity. If a participant resigns or is dismissed for misconduct or poor performance before the end of the restrictive period, any unvested shares will be forfeited, unless SkyCity terminates the employment of a group executive without cause, a group executive ceases employment as a result of a material change to the terms and conditions of his/her employment which results in a diminution of that group executive's role, status and responsibility in the period of 12 months immediately preceding a performance testing date or a group executive dies or ceases to be an employee due to medical incapacity or permanent disability.

However, to support long term decision-making, execution of strategy and to encourage strong succession planning by the Chief Executive Officer, the Chief Executive Officer will continue to be eligible to have shares transferred to him, at the Board's discretion, if he ceases employment with SkyCity for any reason (other than as a result of the termination of employment by SkyCity for cause, including for serious misconduct) during the restrictive period and the performance conditions are satisfied – in this situation, the performance conditions will be tested on the performance testing date as if his employment had not ceased.

In the event that a genuine error is made by, or on behalf of, the Board or the company in determining a participant's entitlement under the 2018 LTI Plan, including where the company's or a third party's financial statements are subsequently required to be restated, the Board may seek to recover from a participant the value of any shares erroneously determined to have vested to that participant.

Until the restrictive period for the relevant shares has ended and the relevant loan on those shares is repaid, a participant may not sell those shares or use them as security for another loan.

From time to time as directed by SkyCity, the Public Trust acquires shares in the company on-market for the purposes of the company's long term incentive employee plans, including the SkyCity Senior Executive Long Term Incentive Plan and the 2018 LTI Plan. As at 30 June 2019, the Public Trust held a total of 5,190,841 shares – 2,054,918 of which were allocated and held on behalf of eligible participants and 3,135,923 of which were unallocated and held on behalf of future participants.

Fixed Remuneration of Salaried Employees

All salaried roles within SkyCity are 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 several 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 considering 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.

Other Incentive Plans for Salaried Employees

As outlined earlier in this section, the most senior eligible salaried employees will receive their STI in cash and restricted share rights under the PIP in September 2019.

The remaining eligible salaried employees will receive their STI in cash in August/September 2019 under the Salaried STI Plan following completion of the external audit of the company's year-end results. For the financial year ended 30 June 2019, 353 salaried staff (excluding the Chief Executive Officer and other group executives) will receive, based on achievement of individual and financial targets, an average STI outcome of 8.3% of their fixed salary.

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 will be paid to those outstanding staff who consistently exceed the key performance indicators that were set for them at the commencement of the financial year.

In total, in respect of the financial year ended 30 June 2019, 549 SkyCity salaried personnel (excluding the Chief Executive Officer and other group executives) will be paid or granted incentives totalling approximately \$3.8 million under the Individual Bonus Plan and Salaried STI Plan.

Chief Executive Officer's Remuneration

The total remuneration earned by Graeme Stephens for duties relating to the Chief Executive Officer position for the years ended 30 June 2018 and 30 June 2019 is outlined in the following table:

	FIXED ANNUAL REMUNERATION				PIP OUTCOME				NON-RECURRING PAYMENTS	TOTAL REMUNERATION
	BASE SALARY	KIWISAVER	OTHER BENEFITS	SUB TOTAL	CASH STI	DEFERRED STI	LTI GRANT	SUB TOTAL		
2019	\$1,489,875	\$44,374	\$4,433	\$1,538,682	\$595,950	\$744,938 ⁽¹⁾	\$1,042,912 ⁽²⁾	\$2,383,800	\$0	\$3,922,482
2018	\$1,450,000	\$43,500	\$5,302	\$1,498,802	\$0	\$1,015,000 ⁽³⁾	\$1,250,000 ⁽⁴⁾	\$2,265,000	\$0	\$3,763,802

(1) Calculated on the basis of 195,872 restricted share rights to be granted to Mr Stephens under the PIP in August/September 2019.

The restricted share rights will vest in two tranches, with the first tranche vesting on the first anniversary of the Declaration Date and the second tranche vesting on the second anniversary of the Declaration Date.

(2) Calculated on the basis of 246,726 SkyCity shares allocated to Mr Stephens under the 2018 LTI Plan in August 2018.

(3) Calculated on the basis of 251,238 restricted share rights granted to Mr Stephens under the Restricted Share Rights Plan in September 2018, which vest in July 2020.

(4) Calculated on the basis of 320,883 SkyCity shares allocated to Mr Stephens under the SkyCity Senior Executive Long Term Incentive Plan in August 2017.

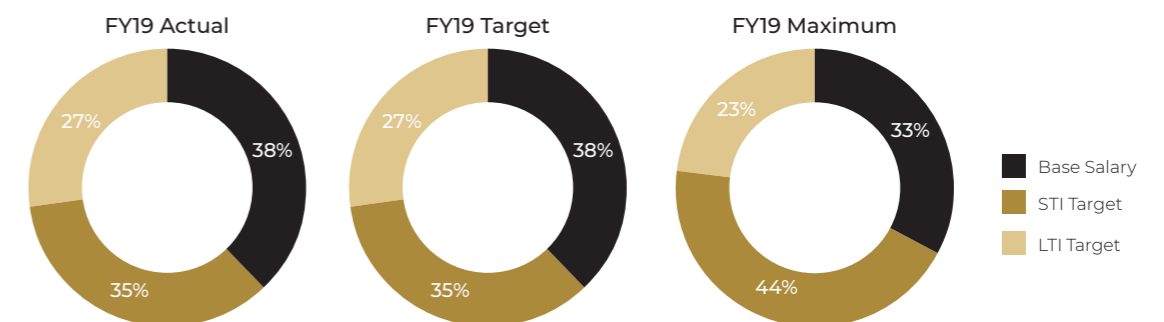
Equity Based Incentive Vested in 2019

The following equity based incentive, being the 2017 Chief Executive Officer commencement shares, vested to Mr Stephens in the financial year ended 30 June 2019:

GRANT YEAR	SECURITIES	GRANT PERIOD	PERFORMANCE MEASURE	VESTING OUTCOME	SHARES VESTED	VALUE ON VESTING
Financial Year 2017	Ordinary Shares	November 2016 to November 2018	No performance measures	100% vested	325,000	\$1,251,250 ⁽¹⁾

(1) Represents the NZX closing price of SkyCity shares on the closest following trading date to the vesting date multiplied by the number ordinary shares vested.

The graph below shows the mix of remuneration that was earned by Mr Stephens for his performance over the financial year ended 30 June 2019:



Pay Gap

Mr Stephens' base salary remuneration ratio to the median annualised employee base salary is 30.

STI Outcome

The graphic below shows how the STI component was calculated for Mr Stephens for the financial year ended 30 June 2019 under the PIP.

PIP Outcome for the Chief Executive Officer

Mr Stephens' at-risk STI component for the 2019 financial year under the PIP was a STI target cash award of 40% of base salary and a deferred STI target equity award of 50% of base salary. Eligibility for an award under the PIP was based on improvement on the previous financial year's normalised Group NPAT (net profit after tax) performance and achievement of non-financial goals. 70% of Mr Stephens' outcome of both the cash and equity award is measured against the company's achievement of normalised Group NPAT and the remaining 30% was based on a small number of agreed key non-financial goals.

The company's FY19 financial performance exceeded the budgeted normalised Group NPAT target. In consideration of the forecast trading and market conditions, the Board exercised its discretion under the PIP and applied a capped multiplier to Mr Stephens' (and the other group executives) financial component of 100%.

The Board assessed Mr Stephens as having met expectations against his non-financial goals, which related to certain strategic initiatives, environment, social and governance impacts, people, stakeholder relations, health and safety and risk management.

Consequently, the outcome for Mr Stephens under the PIP for the year ended 30 June 2019 comprised a cash payment of \$595,950, and the grant of 195,872 restricted shares rights, to be made in August/September 2019.

LTI Grant

Mr Stephens was granted an allocation of 246,726 shares in the company equal to \$1,042,912 under the 2018 LTI Plan in August 2018. Details of the 2018 LTI Plan are outlined on pages 110–112 of this annual report.

Employment Agreement

Mr Stephens' employment agreement (a copy of which is available on the company's website at www.skycityentertainmentgroup.com) is dated 4 November 2016 and reflects standard conditions that are appropriate for a senior executive of a listed Australasian company. Subsequent amendments are also available online.

Mr Stephens' employment agreement may be terminated by:

- either Mr Stephens or the company by giving six months' notice in writing;
- the company without notice in the case of serious misconduct, serious breach (including substantial non-performance) or other cause justifying summary dismissal; or
- the company immediately if the SkyCity Board forms the view that substantial incompatibility and/or irreconcilable differences have developed with Mr Stephens or the Board otherwise wishes to terminate his employment when he is not at fault (including a redundancy situation or medical incapacity).

All entitlements payable to Mr Stephens on termination of his employment are outlined in his employment agreement.

Other Group Executives' Remuneration

The following information relates to the remuneration earned by the group executives for the financial year ended 30 June 2019, but excluding the Chief Executive Officer whose remuneration is detailed earlier in this section. Other group executives include those positions detailed on pages 44–47 of this annual report.

Fixed Annual Remuneration

Fixed annual remuneration for each group executive consisted of a base salary (delivered in cash), KiwiSaver contributions and health care benefits.

In determining base salaries for the group executives, the Board refers to external market data, including comparable positions in other listed New Zealand companies and companies within the casino industry.

Performance Incentive Plan Outcome

Each group executive's at-risk STI component for the 2019 financial year under the PIP was set at a cash STI of 30% and a deferred STI (to be delivered in restricted share rights) within a range of 20% to 30% of their base salary, contingent on individual achievement of specific financial and non-financial goals. 70% of each group executive's STI (both cash and deferred components) was measured against the company's achievement of normalised Group NPAT (a financial goal component) and the remaining 30% was based on a small number of agreed key non-financial goals (a non-financial goal component). To be eligible to receive any incentive under the financial goal component, the normalised Group NPAT result must meet or exceed the normalised Group NPAT for the immediately preceding financial year.

The company's FY19 financial performance exceeded the budgeted normalised Group NPAT target. In consideration of the forecast trading and market conditions, the Board exercised its discretion under the PIP and applied a capped multiplier to the group executives' financial component of 100%.

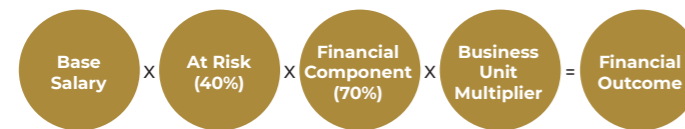
Based on the Board's assessment of the group executives' performance against their non-financial goals (relating to certain strategic initiatives, the company's business plan, people, stakeholder relations, health and safety and risk management), the group executives combined received 113% of their non-financial component.

The combined STI outcome for the group executives for the year ended 30 June 2019 was \$2,394,420, which includes the value of the 282,441 restricted shares rights to be granted to group executives in August/September 2019 under the PIP. Further details of the PIP are outlined on pages 108–110 of this annual report.

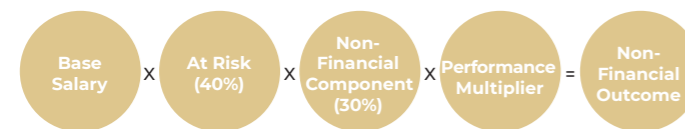
LTI Grant

The combined LTI grant for the group executives for the year ended 30 June 2019 was \$1,834,672, which represents the 434,035 SkyCity shares allocated to the group executives under the 2018 LTI Plan in August 2018. Details of the 2018 LTI Plan are outlined on pages 110–112 of this annual report.

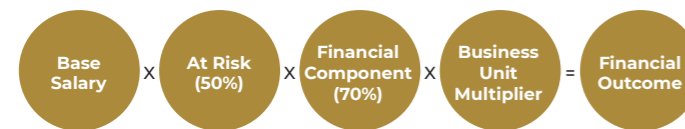
Financial Component – STI Cash Award



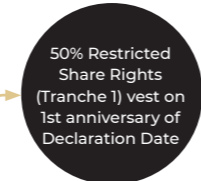
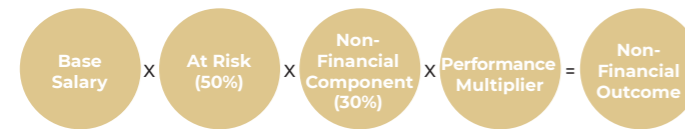
Non-Financial Component – STI Cash Award



Financial Component – Deferred STI Award



Non-Financial Component – Deferred STI Award



LTI Vesting Calculations

During the financial year ended 30 June 2019, the following vesting calculations were completed:

- August 2014 LTI: the third (and final) test was completed. No shares have vested to executives in respect of the 2014 allocation. All unvested shares were accordingly forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan; and
- August 2015 LTI: the first and second tests were completed. To date, no shares have vested to executives in respect of the 2015 allocation. The third (and final) test will be completed during August 2019 and any shares that do not vest at that time will be forfeited in accordance with the terms of the SkyCity Senior Executive Long Term Incentive Plan.

The total remuneration earned by the group executives for the financial year ended 30 June 2019 is outlined in the following table:

	FIXED ANNUAL REMUNERATION				PIP OUTCOME				NON-RECURRING PAYMENTS	TOTAL REMUNERATION
	BASE SALARY	KIWISAVER	OTHER BENEFITS	SUB TOTAL	CASH STI	DEFERRED STI ⁽¹⁾	LTI GRANT ⁽²⁾	SUB TOTAL		
2019	\$4,196,920	\$125,908 ⁽¹⁾	\$32,765	\$4,355,593	\$1,320,293	\$1,074,127	\$791,760	\$3,186,180	-	\$7,541,773

(1) Includes KiwiSaver payments paid on applicable non-recurring payments.

(2) Calculated on the basis of 282,428 restricted share rights to be granted to group executives under the PIP in August 2019. The restricted share rights will vest in two tranches, with the first tranche vesting on the first anniversary of the Declaration Date and the second tranche vesting on the second anniversary of the Declaration Date.

(3) Calculated on the basis of 187,309 SkyCity shares allocated to group executives under the 2018 LTI Plan in August 2018.

Delivery Timeframe of Remuneration for the Chief Executive Officer and other Group Executives

PERFORMANCE YEAR	BASE SALARY	STI CASH	DSTI – EQUITY		LTI – EQUITY
FY18	FY18 Base				
FY19	FY19 Base	FY19 STI Cash			
FY20	FY20 Base	FY20 STI Cash	FY19 Tranche 1	FY18 Def STI	
FY21	FY21 Base	FY21 STI Cash	FY20 Tranche 1	FY19 Tranche 2	FY18 LTI Vest
FY22	FY22 Base	FY22 STI Cash	FY21 Tranche 1	FY20 Tranche 2	FY19 LTI Vest
FY23	FY23 Base	FY23 STI Cash	FY22 Tranche 1	FY21 Tranche 2	FY20 LTI Vest

There have been several changes to the delivery of incentives at SkyCity over previous financial years and, as illustrated in the table above, delivery of reward components will vary year on year. In the case of the deferred STI component of the PIP scheme, the Chief Executive Officer, other group executives and senior managers may also receive performance based remuneration outcomes in financial years that do not relate to the current financial year or performance.

Employee Remuneration

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of \$100,000 and was paid to those employees during the financial year ended 30 June 2019, are listed below:

REMUNERATION	NUMBER OF EMPLOYEES
\$100,000–\$109,999	65
\$110,000–\$119,999	51
\$120,000–\$129,999	41
\$130,000–\$139,999	27
\$140,000–\$149,999	31
\$150,000–\$159,999	10
\$160,000–\$169,999	16
\$170,000–\$179,999	13
\$180,000–\$189,999	23
\$190,000–\$199,999	9
\$200,000–\$209,999	9
\$210,000–\$219,999	8
\$220,000–\$229,999	4
\$230,000–\$239,999	6
\$240,000–\$249,999	6
\$250,000–\$259,999	2
\$260,000–\$269,999	4
\$270,000–\$279,999	1
\$280,000–\$289,999	4
\$290,000–\$299,999	1
\$300,000–\$309,999	1
\$310,000–\$319,999	2
\$330,000–\$339,999	2
\$350,000–\$359,999	1
\$360,000–\$369,999	2
\$380,000–\$389,999	1
\$400,000–\$409,999	3
\$410,000–\$419,999	2
\$420,000–\$429,999	2
\$520,000–\$529,999	1
\$530,000–\$539,999	1
\$600,000–\$609,999	3
\$660,000–\$669,999	1
\$670,000–\$679,999	1
\$690,000–\$699,999	1
\$730,000–\$739,999	1
\$750,000–\$759,999	1
\$780,000–\$789,999	1
\$820,000–\$829,999	1
\$840,000–\$849,999	1
\$990,000–\$999,999	1
\$1,360,000–\$1,369,999	1
\$1,430,000–\$1,439,999	1
\$1,440,000–\$1,449,999	1
\$2,940,000–\$2,949,999	1
TOTAL	365

In the above table, remuneration includes, where applicable, (a) salary; (b) short term cash bonuses; (c) health insurance premiums; (d) the value of shares expected to vest under the 2018 SkyCity Restricted Share Rights Plan; (e) the value of share rights expensed during the year (including PAYE and PAYG on vested share rights, but excluding accrued PAYE and PAYG on unvested share rights) under the former SkyCity Senior Executive Long Term Incentive Plan and the 2018 SkyCity Executive Long Term Incentive Plan; (f) the value of commencement shares expensed during the year; (g) sign-on cash payments; and (h) settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the company.

Twenty Largest Registered Shareholders as at 1 August 2019

	NUMBER OF SHARES	% OF SHARES
1. HSBC Custody Nominees (Australia) Limited	133,906,678	19.92
2. JP Morgan Nominees Australia Limited	69,737,048	10.37
3. HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD	55,469,421	8.25
4. Citibank Nominees (New Zealand) Limited – NZCSD	43,726,121	6.50
5. HSBC Nominees (New Zealand) Limited – NZCSD	40,918,133	6.09
6. Citicorp Nominees Pty Limited	32,448,269	4.83
7. Accident Compensation Corporation – NZCSD	26,178,854	3.89
8. JPMorgan Chase Bank NA NZ Branch – Segregated Clients Acct – NZCSD	21,152,479	3.15
9. BNP Paribas Noms Pty Limited	18,286,612	2.72
10. BNP Paribas Nominees (NZ) Limited – NZCSD	14,274,738	2.12
11. ANZ Custodial Services New Zealand Limited – NZCSD	12,553,838	1.87
12. BNP Paribas Nominees Pty Limited	10,963,401	1.63
13. Citicorp Nominees Pty Limited	8,052,625	1.20
14. BNP Paribas Nominees (NZ) Limited – NZCSD	7,930,033	1.18
15. ANZ Wholesale Australasian Share Fund – NZCSD	7,314,665	1.09
16. National Nominees Limited	7,064,025	1.05
17. New Zealand Depository Nominee Limited	6,863,468	1.02
18. HSBC Nominees A/C NZ Superannuation Fund Nominees Limited – NZCSD	5,344,678	0.80
19. Masfen Securities Limited	5,030,986	0.75
20. UBS Nominees Pty Limited	4,597,352	0.69
Total	531,813,424	79.10

Total ordinary shares on issue as at 1 August 2019 were 672,351,166 of which 5,190,841 were held in aggregate by Public Trust on behalf of eligible and future participants pursuant to the SkyCity Senior Executive Long Term Incentive Plan and 2018 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 2019

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1–1,000	3,822	1,412,682
1,001–5,000	6,446	17,728,196
5,001–10,000	2,511	17,700,144
10,001–100,000	2,298	53,806,788
> 100,000	124	581,703,356
Total	15,201	672,351,166

As at 1 August 2019, there were 1,110 shareholders (with a total of 52,562 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$3.89.

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 2019, 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
Commonwealth Bank of Australia	01/09/2017	47,028,632	7.047%
Lazard Asset Management Pacific Co	12/09/2017	50,152,982	7.515%
BlackRock, Inc	20/03/2018	41,695,222	6.129%
Investors Mutual Limited	26/07/2018	55,091,471	8.444%
The Vanguard Group, Inc	19/12/2018	36,018,413	5.278%
Sumitomo Mitsui Trust Holdings, Inc	07/03/2019	56,603,076	8.29%

Substantial security holder notices received since 30 June 2019 can be viewed at www.nzx.com/companies/SKC/announcements.

The total number of listed voting securities of SkyCity Entertainment Group Limited as at 30 June 2019 was 672,746,618.

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 'SKCO40'.

Twenty Largest Registered Bondholders as at 1 August 2019

	NUMBER OF BONDS	% OF BONDS
1. FNZ Custodians Limited	13,794,000	11.04
2. Investment Custodial Services Limited	13,221,000	10.58
3. Forsyth Barr Custodians Limited	11,931,000	9.55
4. Custodial Services Limited	9,973,000	7.98
5. ANZ Custodial Services New Zealand Limited – NZCSD	8,216,000	6.57
6. Custodial Services Limited	6,274,000	5.02
7. Custodial Services Limited	5,604,000	4.48
8. Custodial Services Limited	2,841,000	2.27
9. Tea Custodians Limited Client Property Trust Account – NZCSD	2,100,000	1.68
10. Custodial Services Limited	2,083,000	1.67
11. Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	2,000,000	1.60
12. Tappenden Holdings Limited	2,000,000	1.60
13. Citibank Nominees (New Zealand) Limited – NZCSD	1,800,000	1.44
14. Custodial Services Limited	1,457,000	1.17
15. BNP Paribas Nominees (NZ) Limited – NZCSD	1,275,000	1.02
16. Forsyth Barr Custodians Limited	1,113,000	0.89
17. JBWere (NZ) Nominees Limited	995,000	0.80
18. Investment Custodial Services Limited	800,000	0.64
19. BNP Paribas Nominees (NZ) Limited – NZCSD	755,000	0.60
20. BGS Trustee Limited	750,000	0.60
Total	88,982,000	71.19

Distribution of Bonds and Registered Holdings as at 1 August 2019

	NUMBER OF BONDHOLDERS	NUMBER OF BONDS
1,000–5,000	71	355,000
5,001–10,000	200	1,935,000
10,001–100,000	654	22,549,000
> 100,000	71	100,161,000
Total	996	125,000,000

Directors' Disclosures

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 2019 (notices given by directors during the financial year ended 30 June 2019 are marked with an asterisk):

Rob Campbell (Chair)

King Tide Asset Management Limited	Director and Shareholder
Precinct Properties New Zealand Limited	Director and Shareholder
RC Custodian Limited	Director
Summerset Group Holdings Limited	Chair and Shareholder
Tourism Holdings Limited	Chair and Shareholder
Tutaneikai Investments Limited	Director and Shareholder
Ultrafast Fibre Limited	Director*
WEL Networks Limited	Chair

Bruce Carter (Deputy Chair)

ASC Pty Limited	Chair
Aventus Capital Limited	Chair
Badge Management Pty Limited	Director
Bank of Queensland Limited	Director
Chapman Capital Partners Pty Limited	Director*
Cobbadah Pty Ltd	Director
Eudunda Farmers Limited	Director
Genesee & Wyoming Australia Holdings Limited Partnership	Representative of the Management Committee*
Genesee and Wyoming Inc (US)	Director

Sue Suckling

Blinc Innovation Limited	Chair
Brannigans Consulting Limited	Chair*
Insurance & Financial Services Ombudsman Scheme Commission	Chair
Jacobsen Holdings Limited	Chair
Jade Software Corporation Limited	Chair
Sue Suckling Holdings Limited	Managing Director

Richard Didsbury

Brick Bay Wines Limited	Director
Brick Bay Development Trust	Trustee
Brick Bay Investments Trust	Trustee
Brick Bay Trustee Limited	Director
Kiwi Property Group Limited	Director
NX2 GP Limited	Chair
NX2 Hold GP Limited	Chair
Whisper Cove Heights Limited	Director

Jennifer Owen

Aspire Child Care (Mascot) Pty Ltd	Director
Owen Gaming Research	Principal

Murray Jordan

Chorus Limited	Director
Foodstuffs' Members Protection Trust	Trustee*
Metcash Limited	Director
Real Clarity Limited	Director and Shareholder
Starship Foundation	Trustee
Stevenson Group Limited	Director
The Foodstuffs Co-operative Perpetuation Trust	Trustee*

The following details included in the Interests Register as at 30 June 2018, or entered during the financial year ended 30 June 2019, have been removed during the financial year ended 30 June 2019:

- Bruce Carter is no longer a consultant to Ferrier Hodgson or a director of Genesee & Wyoming Australia Pty Limited; and
- Sue Suckling is no longer the chair of ECL Group Limited or the New Zealand Qualifications Authority.

Directors' and Senior Managers' 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 2019:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/(DISPOSED)
Rob Campbell	14 September 2018	\$4.0817 per share ⁽¹⁾	1,198 ⁽²⁾
Sue Suckling	14 September 2018	\$4.0817 per share ⁽¹⁾	890 ⁽³⁾
Richard Didsbury	14 September 2018	\$4.0817 per share ⁽¹⁾	859
Jennifer Owen	9 April 2019	Nil ⁽⁴⁾	35,000 ⁽⁵⁾
Murray Jordan	9 August 2018	\$4.0972 per share	7,657 ⁽⁶⁾
	9 August 2018	\$4.0900 per share	4,554 ⁽⁶⁾
	14 September 2018	\$4.0817 per share ⁽¹⁾	773 ⁽⁶⁾

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

(2) Shares held by FNZ Custodians Limited on behalf of Tutanekai Investments Limited.

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

(4) Off-market transfer to a corporate trustee pursuant to a personal reorganisation.

(5) Shares held by the trustees of the Owen & Paull Retirement Fund.

(6) Shares held by the trustees of Endeavour Trust.

Disclosure of Directors' Interests in Shares

Directors disclosed the following relevant interests in SkyCity shares as at 30 June 2019:

	SHARES BENEFICIALLY HELD
Rob Campbell	53,728 ⁽¹⁾
Bruce Carter	64,618 ⁽²⁾
Sue Suckling	39,941 ⁽³⁾
Richard Didsbury	38,519
Jennifer Owen	35,000 ⁽⁴⁾
Murray Jordan	34,684 ⁽⁵⁾

(1) Shares held by FNZ Custodians Limited on behalf of Tutanekai Investments Limited.

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

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

(4) Shares held by the trustees of the Owen & Paull Retirement Fund.

(5) Shares held by the trustees of Endeavour Trust.

Company Disclosures

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 page 124 of this annual report.

SkyCity is listed as a 'Foreign Exempt Listing' on the ASX.

SKYCITY ENTERTAINMENT GROUP LIMITED

The following persons held office as directors of SkyCity Entertainment Group Limited as at 30 June 2019:

Rob Campbell (Chair)
Bruce Carter (Deputy Chair)
Sue Suckling
Richard Didsbury
Jennifer Owen
Murray Jordan

SUBSIDIARIES

Subsidiary Companies

The following persons held office as directors of subsidiaries of SkyCity Entertainment Group Limited as at 30 June 2019:

New Zealand Subsidiaries	
Directors	Graeme Stephens, Jo Wong
Companies	Cashel Asset Management Limited New Zealand International Convention Centre Limited Otago Casinos Limited Queenstown Casinos Limited Sky Tower 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 Properties Limited SkyCity Properties Albert St Limited SkyCity Properties Victoria St Limited SkyCity Wellington Limited

Overseas Subsidiaries

Directors	Graeme Stephens, Jo Wong
Companies	Horizon Tourism Limited SkyCity Investment Holdings Limited
Directors	Graeme Stephens, Jo Wong, Bruce Carter, David Christian
Companies	SkyCity Adelaide Pty Limited SkyCity Australia Finance Pty Limited SkyCity Australia Pty Limited SkyCity Treasury Australia Pty Limited
Directors	Steve Salmon, Joe Borg
Company	SkyCity Malta Limited
Directors	Steve Salmon, WH Management Limited
Company	SkyCity Malta Holdings Limited
Directors	Steve Salmon, Michael Ahearne
Company	SkyCity Management (UK) Limited

Non-wholly Owned Companies

As at 30 June 2019, SkyCity also had an interest in the New Zealand and overseas companies listed below:

New Zealand

Companies	Lets Play Live Media Limited TNZ Esports Limited
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Overseas

Company	LPL Media Pty Limited
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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 former 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

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.

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);
- Casino Act 1997 (South Australia);
- Gaming Control Act (Northern Territory); and
- 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.

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 2019, 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 \$57,420.87 were made by the company during the financial year ended 30 June 2019 (\$57,563.50 during the financial year ended 30 June 2018).

Review of Operations and Activities

A detailed review of the operations and activities of the company for the financial year ended 30 June 2019 is set out in the Chair's Review on page 14 of this annual report and the Chief Executive Officer's Review on page 15 of this annual report.

Other Legislation and 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 included in the company's constitution, 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 Buy Back 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 company's long term incentive employee plans as detailed in the Director and Employee Remuneration section in this annual report. 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.

On 13 February 2019, the company announced its intention to undertake an on-market share buy back programme to purchase up to 5% of its total ordinary shares on issue on the NZX Main Board from 18 February 2019 until 31 December 2019. As at 1 August 2019, a total of 10,095,373 ordinary shares in the company had been acquired, and cancelled, under the 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 financial year ended 30 June 2019, a final dividend of 10 cents per share will be paid on 13 September 2019 to all shareholders on the company's register at the close of business on 30 August 2019.

The company's Dividend Reinvestment Plan (established in February 2011) will not be applied to the final dividend. 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.

Financial Statements and Notes for the Year Ended 30 June 2019

A healthy financial performance is good for us all



These financial statements were signed on 13 August 2019 on behalf of the Board of directors of SkyCity Entertainment Group Limited by:

Rob Campbell
Chair

Bruce Carter
Deputy Chair and Chair of the
Audit and Risk Committee



Independent auditor's report

To the shareholders of SkyCity Entertainment Group Limited

We have audited the financial statements which comprise:

- the balance sheet as at 30 June 2019;
- 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 financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying 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 2019, 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).

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 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 tax compliance, tax advisory, provision of a software tool for subsidiary statutory financial statement preparation, and executive remuneration benchmarking assistance. The provision of these other services has not impaired our independence as auditor of the Group.



Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: \$10.4 million, which represents 5% of profit before tax from continuing operations.

We chose profit before tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there are four key audit matters:

- Consideration of the carrying value of goodwill and casino licence intangible assets
- Accounting for liquidated damages
- Accounting for and disclosure of the sale of the Auckland car park concession
- Accounting for the Darwin discontinued operation.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The structure of the Group means the majority of the audit work for the Group is performed by the New Zealand Group audit team. We also utilise audit teams in Australia for specified procedures, as directed by the New Zealand Group audit team where local knowledge of the trading environment or the legal and regulatory environment is required.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Consideration of the carrying value of goodwill and casino licence intangible assets</p> <p>The Group has goodwill and casino licence intangible assets totalling \$746.7 million.</p> <p>As noted in note 17 to the financial statements an assessment of the value in use of the goodwill and indefinite life casino licence intangible assets was made using discounted cash flow forecast (DCF) models for each cash generating unit (CGU).</p> <p>In addition, an impairment assessment was also prepared in relation to the Adelaide CGU which includes a finite life intangible asset.</p> <p>In preparing the DCFs management have made a number of judgements that impact the enterprise value. The most significant of these judgements are disclosed within note 17 to the financial statements.</p> <p>The assessments performed resulted in a conclusion that there was no impairment associated with any goodwill and casino licence intangible assets.</p>	<p>We performed an independent assessment of the DCF models used in the impairment assessment. In relation to the forecast cash flows we performed the following procedures:</p> <ul style="list-style-type: none"> • Compared the forecast cash flows used to the Board approved business plan; • Understood the processes undertaken, controls over and basis for preparing the forecasts; • Considered key assumptions, in particular the estimated future growth rates, by comparing expectations of underlying inflation; • Engaged our valuation expert to assist in our assessment of the discount rates and the terminal growth rates used in the models; • Compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts; and • Performed a sensitivity analysis on the forecast cash flows to determine whether a reasonably possible change in assumptions could lead to a conclusion that the intangible asset is impaired. <p>In relation to the Adelaide impairment assessment we also performed the following:</p> <ul style="list-style-type: none"> • Considered whether any impairment indicators exist with regard to the business itself as well as the wider South Australian economic outlook that could impact the Adelaide valuation; • Reviewed management's forecasts and assessed the prospects of achieving future plans, in particular over the next five years; • Understood the impacts of the Adelaide expansion currently in progress on future performance and cash flows; and • Reconciled these cash flows to Board approved plans for the expansion and obtained an understanding of any changes.

We also considered the appropriateness of disclosures in relation to the valuation of intangible assets and associated impairment testing performed.

As a result of our procedures, we did not propose any adjustments.



Key audit matter

Accounting for liquidated damages

The Group has withheld liquidated damages from progress claims owing to Fletcher Construction Company Limited (FCC) under the contract to build the New Zealand International Convention Centre (NZICC) and Horizon Hotel (HH). As disclosed in note 29 to the financial statements, as at 30 June 2019, the Group has withheld amounts totalling \$39.5 million. The amount withheld is recognised as a liability in the balance sheet.

The Group has withheld these amounts as it considers that it has the right to these funds under the liquidated damages provisions in the construction contract with FCC.

The accounting treatment of liquidated damages requires judgement. The critical judgement made by the Directors is whether the recovery of the liquidated damages is probable or virtually certain.

At 30 June 2019, the Directors have concluded that the recovery is probable but not virtually certain as FCC have notified SkyCity that they dispute SkyCity's right to these liquidated damages. Therefore the liquidated damages have been disclosed as a contingent asset in note 29 of the financial statements and have not been recognised as income in the income statement.

How our audit addressed the key audit matter

We read the contract for the construction of the NZICC and HH, noting a number of separate delivery milestones and the right to liquidated damages if certain milestones are not met.

We read management's paper summarising the current status of the liquidated damages, supporting invoices and progress claims. We challenged management's rationale behind the judgement applied in terms of meeting the probable threshold and not the virtually certain threshold. In particular, we considered the contract terms for the build and the fact that SkyCity's right to retain these liquidated damages is still disputed by FCC.

We considered the disclosure in the financial statements to ensure that this is compliant with the requirements of the New Zealand accounting standards.

As a result of our procedures, we have nothing to report.



Key audit matter

Accounting for and disclosure of the sale of the Auckland car park concession

On 4 April 2019, the Group entered into a conditional agreement with Macquarie Principal Finance Group ("Macquarie") granting Macquarie the right to undertake the operation and management of its Auckland car parks for a term to 30 June 2048. Macquarie will pay an upfront payment of \$220 million for this right.

The agreement is for the operation of 3200 car parks in the Auckland casino/hotel complex and the NZICC. There is significant judgement applied in determining the appropriate accounting for this transaction.

The agreement grants SkyCity an exclusive right to use 450 specific car parks for its VIP customers defined as the 'nested' areas. For all other car parks under the agreement ('unnested' car parks) SkyCity will pay on a per use basis, at agreed rates with the car parks also available for public use. Demand risk is fully borne by Macquarie for the unnested car parks.

As noted in Note 1 (h) SkyCity has determined that the unnested car parks should be accounted for as a finance lease due to the present value of the minimum lease payments, being the upfront payment, amounting to substantially all of the fair value of the car parks and that it will transfer all of the significant risks and rewards of ownership of unnested car parks to Macquarie. Management have further determined that the exclusive use nested car parks will be accounted for as a financial liability and will not be derecognised from property, plant and equipment as SkyCity retains the significant risks and rewards associated with ownership.

The transaction is conditional at balance sheet date, however, management and the Directors are committed to the sale and consider it highly probable. As such the carrying value of the unnested car parks has been classified as held for sale under NZ IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* at balance date as this will be derecognised when the agreement completes.

How our audit addressed the key audit matter

We read the final agreement between SkyCity and Macquarie and have independently assessed the accounting for the transaction with the involvement of our technical accounting specialists.

We read management's paper outlining the considerations under the leasing criteria and the counterfactual scenarios. We challenged management's rationale for accounting for the unnested element of the transaction as a finance lease. In particular, the key judgements that the minimum lease payments are substantially all of the fair value of the car parks and that substantially all the risks and rewards of ownership will transfer to Macquarie.

We obtained management's expert's independent valuation of the car parks. We engaged our valuation experts to assist in our assessment of the valuation methodologies and assumptions used by management's expert.

We challenged management's judgement that the transaction is held for sale at balance date. In particular, the considerations regarding the probability of meeting the conditions of the agreement.

We obtained management's calculation of the allocation of the carrying value of the car parks for the Auckland casino/hotel complex and the NZICC. We tested the calculation and corroborated the amounts used to supporting working papers and management's expert's report.

As a result of our procedures, we have nothing to report.



Management applied judgement in calculating the carrying value of the car park for the Auckland casino/hotel complex and the NZICC.

Key audit matter

Accounting for the Darwin discontinued operation

On 8 November 2018, SkyCity announced the sale of SkyCity Darwin Pty Limited to Delaware North. A sale and purchase agreement for A\$188 million (NZ\$197 million) was signed subject to regulatory approval. Following approval of regulatory and financing conditions the transaction was completed on 4 April 2019.

Management concluded that the Darwin business site will be reported as a discontinued operation in accordance with NZ IFRS 5 as at 30 June 2019.

The application of NZ IFRS 5 and the accounting for the disposal of the Darwin business is significant to our audit because the transaction and its accounting is non-routine and involves management judgement. These judgements include the date of classification of the non-current assets as held for sale, the identification of the disposal group and the presentation of its results as discontinued operations including the resulting loss on disposal.

Further, there is judgement in the identification of income and expenses that should be allocated to the Darwin business and the related assumptions and estimates made with regard to those allocations.

How our audit addressed the key audit matter

Our audit procedures included:

- Read and understood the key terms of the sale and purchase agreement to confirm the appropriate accounting, determine the components being disposed and assess whether the classification as a discontinued operation is in accordance with accounting standards;
- Tested a sample of revenue and expense items relating directly to the discontinued operations for the period up to the disposal date of 4 April 2019 by agreeing them to supporting documentation;
- Evaluated and tested the allocation of certain income and expense items relating to both the continuing operations and discontinued operation by considering the appropriateness of the assumptions used in the allocation methodology; and
- Evaluated whether the disclosures in Notes 1(h) and 23 are appropriate and in accordance with accounting standards.

In relation to the loss on disposal recognised in the income statement:

- Obtained management's calculation and assessed the reasonableness of the carrying value of the net assets of the disposal group against our own internally developed expectations based on our understanding of the business;
- Agreed net assets disposed back to underlying accounting records;
- Attended and observed the physical cash count at Darwin on the 3rd and 4th of April 2019;
- Assessed that the interest rate hedging impact and the foreign currency translation reserve are adjusted in accordance with accounting standards; and
- Confirmed the receipt of the agreed sale price to the bank statement.

As a result of our procedures, we have nothing to report.



Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

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 Jonathan Freeman.

For and on behalf of:

Chartered Accountants
13 August 2019

Auckland

Income Statement

For the year ended 30 June 2019

CONSOLIDATED			
	NOTES	2019	RESTATED 2018
		\$'000	\$'000
Continuing operations			
Revenue	3	802,265	813,828
Other income	4	20,799	2,405
Share of losses from associates		(737)	(347)
Employee benefits expense		(289,896)	(278,246)
Other expenses	5	(91,799)	(86,373)
Directors' fees		(1,143)	(1,273)
Gaming taxes		(38,117)	(38,422)
Direct consumables		(59,862)	(62,061)
Marketing and communications		(26,170)	(24,406)
Community contributions, levies and sponsorships		(14,330)	(14,260)
Fair value adjustment to investment property	11	(3,204)	(799)
Earnings Before Interest, Taxes, Depreciation and Amortisation Expenses (EBITDA)		297,806	310,046
Depreciation and amortisation expense	5	(79,988)	(80,861)
Earnings Before Interest and Tax (EBIT)		217,818	229,185
Net finance costs	8	(10,240)	(12,526)
Profit Before Income Tax		207,578	216,659
Income tax expense	12	(46,753)	(57,827)
Profit from continuing operations		160,825	158,832
(Loss)/Profit from discontinued operations	23	(16,244)	10,687
Profit for the Year Attributable to Shareholders of the Company		144,581	169,519
Earnings per share for Profit Attributable to the Shareholders of the Company			
		CENTS	CENTS
Attributable to continuing operations:			
Basic earnings per share	6	23.8	23.7
Diluted earnings per share	6	23.8	23.7
Attributable to discontinued operations:			
Basic earnings per share	6	(2.4)	1.6
Diluted earnings per share	6	(2.4)	1.6
Attributable to total operations:			
Basic earnings per share	6	21.4	25.3
Diluted earnings per share	6	21.4	25.3

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

Statement of Comprehensive Income

For the year ended 30 June 2019

CONSOLIDATED			
	2019	2018	
		\$'000	\$'000
Profit for the Year	144,581	169,519	
Other Comprehensive Income Items that may be Reclassified Subsequently to Profit or Loss			
Exchange differences on translation of overseas subsidiaries	(11,498)	8,436	
Transfer to Income Statement on disposal of discontinued operation	27,864	-	
Cash Flow Hedge Reserve			
Cash flow hedges – revaluations	3,986	(18,241)	
Cash flow hedges – transfer to finance costs	(5,459)	8,376	
Cash flow hedges – income tax	279	2,855	
Cost of Hedging Reserve			
Cost of hedging reserve – costs incurred / revaluations	729	(2,622)	
Cost of hedging reserve – transfer to finance costs	(462)	(135)	
Cost of hedging reserve – income tax	(75)	772	
Other Comprehensive Income/(loss) for the Year, net of tax	15,364	(559)	
Total Comprehensive Income for the Year	159,945	168,960	

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

Balance Sheet

As at 30 June 2019

CONSOLIDATED			
	NOTES	2019	RESTATED 2018
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and bank balances	19	41,574	75,955
Receivables and prepayments	18	49,293	23,379
Derivative financial instruments	24	85	-
Inventories		6,459	7,570
Current tax receivables		930	4,799
Assets classified as held for sale	20	115,687	22,175
Total Current Assets		214,028	133,878
Non-current Assets			
Property, plant and equipment	16	1,436,257	1,498,610
Intangible assets	17	798,408	831,833
Investment properties	11	40,660	35,300
Investments accounted for using the equity method		1,553	2,290
Derivative financial instruments	24	56,201	42,597
Deferred tax assets	13	4,843	-
Total Non-current Assets		2,337,922	2,410,630
Total Assets		2,551,950	2,544,508
LIABILITIES			
Current Liabilities			
Payables	21	228,112	193,725
Interest bearing liabilities	9	49,127	-
Current tax liabilities		14,653	7,376
Derivative financial instruments	24	784	534
Total Current Liabilities		292,676	201,635
Non-current Liabilities			
Interest bearing liabilities	10	495,913	508,453
Provisions		1,512	3,288
Derivative financial instruments	24	30,913	28,770
Deferred tax liabilities	14	70,160	84,547
Deferred licence value	17	504,804	560,835
Total Non-current Liabilities		1,103,302	1,185,893
Total Liabilities		1,395,978	1,387,528
Net Assets		1,155,972	1,156,980
EQUITY			
Share capital	22	1,126,996	1,152,260
Reserves		(48,565)	(63,929)
Retained earnings		77,541	68,649
Total Equity		1,155,972	1,156,980

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

Statement of Changes in Equity

For the year ended 30 June 2019

	NOTES	SHARE CAPITAL	HEDGING RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	COST OF HEDGING RESERVE	RETAINED EARNINGS	TOTAL EQUITY
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED							
Balance as at 1 July 2017 as previously reported		1,100,792	(14,481)	(48,889)	-	33,515	1,070,937
Adjustment on adoption of IFRS15	1(f)	-	-	-	-	(1,046)	(1,046)
Restated balance at the beginning of the year		1,100,792	(14,481)	(48,889)	-	32,469	1,069,891
Total comprehensive income/(loss)		-	(7,010)	8,436	(1,985)	169,519	168,960
Dividends paid	7	-	-	-	-	(133,339)	(133,339)
Shares issued under dividend reinvestment plan	22	48,257	-	-	-	-	48,257
Share rights issued for employee service	22	2,983	-	-	-	-	2,983
Net issue of treasury shares	22	228	-	-	-	-	228
Balance as at 30 June 2018		1,152,260	(21,491)	(40,453)	(1,985)	68,649	1,156,980
Balance as at 1 July 2018		1,152,260	(21,491)	(40,453)	(1,985)	69,695	1,158,026
Adjustment on adoption of IFRS15	1(f)	-	-	-	-	(1,046)	(1,046)
Restated balance at the beginning of the year		1,152,260	(21,491)	(40,453)	(1,985)	68,649	1,156,980
Total comprehensive income/(loss)		-	(1,194)	16,366	192	144,581	159,945
Dividends paid	7	-	-	-	-	(135,689)	(135,689)
Shares issued under dividend reinvestment plan	22	8,591	-	-	-	-	8,591
Share rights issued for employee service	22	4,540	-	-	-	-	4,540
Net issue of treasury shares	22	397	-	-	-	-	397
Buy back and cancellation of shares	22	(38,792)	-	-	-	-	(38,792)
Balance as at 30 June 2019		1,126,996	(22,685)	(24,087)	(1,793)	77,541	1,155,972

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

Statement of Cash Flows

For the year ended 30 June 2019

	NOTES	CONSOLIDATED	
		2019	RESTATED 2018
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from customers		860,352	919,852
Payments to suppliers and employees		(498,602)	(508,830)
		361,750	411,022
Gaming taxes and levies paid		(58,800)	(59,189)
Income taxes paid		(50,626)	(62,744)
Net Cash Inflow from Operating Activities	31	252,324	289,089
Cash Flows from Investing Activities			
Disposal of business	23	197,065	-
Cash and bank balances disposed as part of discontinued operations		(12,204)	-
Disposal of Federal Street car park	1(h)	40,000	-
Net purchase of/proceeds from property, plant and equipment		(303,651)	(206,466)
Payments for investment property	11	(8,564)	(36,099)
Payments for associates		-	(2,637)
Payments for intangible assets		(29,129)	(8,589)
Net Cash Outflow from Investing Activities		(116,483)	(253,791)
Cash Flows from Financing Activities			
Cash flows associated with derivatives	24	3,540	9,736
New borrowings	10	28,000	206,956
Repayment of borrowings	10	-	(112,459)
Net issue of treasury shares	22	397	228
Dividends paid to company shareholders	7	(127,098)	(85,082)
Interest paid		(37,787)	(35,449)
Buy back of shares		(37,274)	-
Net Cash Outflow from Financing Activities		(170,222)	(16,070)
Net (Decrease)/Increase in Cash and Bank Balances		(34,381)	19,228
Cash and bank balances at the beginning of the year		75,955	56,727
Cash and Cash Equivalents at End of Year	19	41,574	75,955

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, 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 99 Albert Street, Auckland. The company is dual-listed on the New Zealand and Australian stock exchanges.

These consolidated financial statements were approved for issue by the Board of directors on 13 August 2019.

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 (GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable to for-profit entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

The Group has a negative working capital balance, partially as a result of the classification of some debt as current liabilities. The Group has significant available undrawn committed banking facilities totalling \$625 million as at 30 June 2019 (refer to note 10) and has the ability to fully pay all debts as they fall due.

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

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2019 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 a 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 financial assets and liabilities and investment properties at fair value through profit or loss.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies. Judgement is used in the determination of the recoverable amount (or value in use) of goodwill and indefinite useful life casino licences.

The Group tests annually whether goodwill and indefinite useful life licences have suffered any impairment, in accordance with the accounting policy stated in note 17. 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 related cash generating units' assets that significant changes in the assumptions used would not require an impairment.

Judgement has been used in determining the appropriate accounting for liquidated damages, as outlined in note 29.

Judgement has been used in determining the accounting treatment as a finance lease for the sale of the Auckland car park concession. The determination of the finance lease accounting required the use of estimates including determining the fair value of the car parks immediately before the transaction, the fair value of exclusive use car parks and the calculation of the carrying value of the existing car park assets. Further details are provided in note 1(h).

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair values as at 30 June 2019 for the investment properties. Further details are provided in note 11.

(b) Principles of Consolidation

(i) Subsidiaries

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

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 other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on financial assets and liabilities carried at fair value through profit and

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 equity classified at fair value through other comprehensive income 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 as outlined 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 in other comprehensive income.

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, except as detailed below. Accounting policies have been applied on a basis consistent with prior year.

NZ IFRS 15, Revenue from Contracts with Customers

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. Revenue is recognised net of rebates to International Business customers. The standard replaced NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations.

The Group adopted NZ IFRS 15 from 1 July 2018. The Group used the full retrospective approach to applying the new standard.

As part of the impact of adopting NZ IFRS 15, the Group reassessed how certain arrangements with International Business customers should be treated. Rebates paid to gaming promoters were previously reflected as operating expenses. These are now accounted for as a reduction in gaming revenue. As a result of adopting this new standard "Revenue" and "Other expenses" in the Income Statement and "Receipts from customers" and "Payments to suppliers and employees" in the Cash Flow Statement are all reduced by \$80.3 million and \$68.6 million for years ended 30 June 2019 and 30 June 2018 respectively. Also, liabilities for loyalty points increased by \$1.0 million, with the adjustment being recognised in the 1 July 2017 opening retained earnings and payables. A third balance sheet has not been presented given the minor impact on the opening balance sheet.

Refer to note 23 for further details on the discontinued operation.

	YEAR ENDED 30 JUNE 2018 BEFORE RESTATEMENT	DARWIN DISCONTINUED OPERATIONS	NZ IFRS 15 ADJUSTMENTS	YEAR ENDED 30 JUNE 2018 AFTER RESTATEMENT
	\$'000	\$'000	\$'000	\$'000
Revenue	994,579	(112,191)	(68,560)	813,828
Other income	2,608	(203)	-	2,405
Share of losses from associates	(347)	-	-	(347)
Employee benefits expense	(322,563)	44,317	-	(278,246)
Other expenses	(172,806)	17,873	68,560	(86,373)
Directors' fees	(1,273)	-	-	(1,273)
Gaming taxes	(41,950)	3,528	-	(38,422)
Direct consumables	(70,787)	8,726	-	(62,061)
Marketing and communications	(27,839)	3,433	-	(24,406)
Community contributions, levies and sponsorships	(20,095)	5,835	-	(14,260)
Fair value adjustment to investment property	(799)	-	-	(799)
Earnings Before Interest, Taxes, Depreciation and Amortisation Expenses (EBITDA)	338,728	(28,682)	-	310,046
Depreciation and amortisation expense	(94,377)	13,516	-	(80,861)
Earnings Before Interest and Tax (EBIT)	244,351	(15,166)	-	229,185
Net finance costs	(12,458)	(68)	-	(12,526)
Profit Before Income Tax	231,893	(15,234)	-	216,659

(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 2019 or later periods, but which the Group has not early adopted. The significant items are:

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.

This standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$358.3 million (refer note 30).

Management has completed an analysis of the impact on the Group's consolidated balance sheet and income statement of NZ IFRS 16. This requires significant judgement on the incremental borrowing rate used to discount lease assets and liabilities. Given the long term nature of the Group's lease commitments the discount rate has a significant impact on the quantum of change. On 1 July 2019, management will recognise a right of use asset and a lease liability of \$51.3 million. This excludes the impact of the future lease commitments that are not yet effective identified in note 30. The impact on the FY20 income statement will be to:

- reduce operating expenses by approximately \$3.6 million;
- increase depreciation by approximately \$1.2 million;
- increase finance costs by approximately \$3.1 million;
- reduce Net Profit After Taxation by approximately \$0.5 million; and
- lease payments will no longer be part of operating cash flows but rather will be included within financing cash flows.

The above has no cash effect to the Group and the change is for financial reporting purposes only.

There is no expected change on the accounting for the sale of the Auckland car park concession.

The Group will adopt the simplified transition approach under NZ IFRS 16 in the year ending 30 June 2020 and will not restate comparative amounts for the year prior to first adoption.

(h) Significant Transactions During the Year

Disposal of SkyCity Darwin Pty Limited

On 8 November 2018, SkyCity announced the sale of the Darwin business to Delaware North. A sale and purchase agreement for A\$188 million (NZ\$197 million) was signed subject to regulatory approval.

During March 2019 the agreement went unconditional and the transaction was completed on 4 April 2019.

The Darwin business is treated as a discontinued operation within the 2019 financial statements.

In the current period the Darwin operations have been accounted for as a discontinued operation as detailed in note 23. As a result:

- the Income Statement has been adjusted (including prior periods) to disclose the results of the Darwin operations as a single line. Revenue and expenses and the loss on disposal are separately disclosed in note 23;
- the Statement of Cash Flows includes the Darwin operations in all periods; and
- all assets and liabilities of the Darwin operations were disposed of.

Disposal of Federal Street Car Park

At 30 June 2018, the Federal Street car park was disclosed as an asset classified as held for sale with a carrying value of \$22.2 million.

The disposal of this car park was completed in April 2019 with sale proceeds received of \$40.0 million, resulting in a pre-tax gain on sale of \$17.4 million (refer note 4).

Sale of Auckland Car Park Concession

On 4 April 2019, the Group announced it had entered into a binding, conditional agreement to sell a long term concession to 2048 over the Auckland car parks to Macquarie Principal Finance Group ("Macquarie") for \$220 million, to be paid upfront in a lump sum on completion.

The agreement:

- gives Macquarie the right to undertake the operations and management of the 3,200 car parks under the existing Auckland casino/hotel complex and the New Zealand International Convention Centre ("NZICC") currently under construction, with all economic benefit of ownership passed to Macquarie for the concession period;
- provides SkyCity with exclusive access to 450 car parks, which will be used for VIP customers, to be paid for by SkyCity irrespective of use (these are known as the "nested car parks"); and
- provides SkyCity with non-exclusive access to further car parks at agreed rates on a pay-per-use basis (these are known as the "unnested car parks"), which will also be available to the public.

The agreement became unconditional on 9 August 2019 and is expected to complete on 19 August 2019.

The accounting outcome for the nested and unnested car parks is different.

Unnested car parks

The Group has determined, based on an evaluation of the terms and conditions of the arrangement, including the present value of the minimum lease payments amounting to substantially all of the fair value of the car parks, that all the significant risks and rewards of ownership of the unnested car parks will be passed to the concession holder and therefore will account for this part of the concession payment as a finance lease.

As a result of this determination, on completion the current carrying value of the unnested car parks will be derecognised, a finance lease receivable for the unnested car parks recognised and immediately settled in cash by the upfront payment, a finance lease receivable recognised for the residual value of the car parks (the value beyond the period of the concession term) and a resulting gain recognised in the Income Statement. The dollar amount of these items is currently being calculated.

At 30 June 2019, the estimated carrying value of the unnested car parks is included in "non-current assets classified as held for sale" within current assets on the Balance Sheet. The current estimate is \$104.9 million.

In determining the carrying value, judgement was required to separate the unnested car parks from the Auckland casino/hotel complex asset. Judgement was also required to determine the carrying value of the NZICC car parks. The NZICC complex is still under construction and the final carrying value of the car park will be determined by the final construction cost. An adjustment to the Deferred Licence Value associated with NZICC (refer note 17) was also required to reflect the proportion to be allocated to the car parks.

Reclassifying the carrying value of the unnested car parks as non current assets held for sale, results in the reduction of deferred tax liabilities by \$11.5 million (refer note 14).

Nested car parks

The Group has determined that it retains the significant risks and rewards of ownership of these car parks and therefore this part of the concession payment should be accounted for as a financial liability.

As a result of this determination, on completion a portion of the \$220 million concession payment will be treated as a financial liability.

Share Buy Back

In February 2019, the Group announced an on-market share buy back of up to 5% of its total shares during 2019. As at 30 June 2019, the Group has purchased and cancelled \$38.8 million of shares. The effect of this is shown in note 22.

Acquisition of SkyCity HQ

On 19 July 2018, the company completed the purchase of the strata title interests in the AA Centre in Auckland for a total consideration of \$47 million. This building, now referred to as SkyCity HQ, has become the registered office for the company and is being used as the Group head office.

Liquidated Damages

Included within the Fletcher Construction Company Limited (FCC) construction contracts for the NZICC and Horizon Hotel is the right to liquidated damages if certain milestones are not met.

As at 30 June 2018, SkyCity had withheld \$26.9 million from payments to FCC for liquidated damages. During the current financial year this increased to \$39.5 million. Further details are provided in note 29.

2 Segment Information

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.

SkyCity Darwin has been treated as a discontinued operation within the financial statements. For internal management reporting purposes SkyCity Darwin prior to sale continued to be reported to the CEO on the same basis as previously and therefore the segment information note has been prepared on a consistent basis with prior periods.

Consistent with internal management reporting, revenue from external customers within the segment note does not include the impact of NZ IFRS 15.

Total revenue for SkyCity Darwin within this Segment Information note reconciles to discontinued revenue disclosed in note 23. Non-gaming revenue consists of other income within note 4 and non-gaming within note 3. Most of other income in note 4 relates to SkyCity Auckland.

(a) Primary Reporting Format – Business Segments

	SKYCITY AUCKLAND	REST OF NEW ZEALAND	ADELAIDE CASINO	SKYCITY DARWIN	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019							
Gaming revenue	378,061	56,533	124,801	60,699	122,580	–	742,674
Non-gaming revenue	189,862	9,922	21,101	22,402	36	–	243,323
Total revenue	567,923	66,455	145,902	83,101	122,616	–	985,997
Shares of net profits/(losses) of associates	–	(737)	–	–	–	–	(737)
Expenses	(285,855)	(37,160)	(123,566)	(62,679)	(119,610)	(38,146)	(667,016)
Depreciation and amortisation	(47,413)	(5,390)	(17,687)	(4,711)	–	(9,497)	(84,698)
Segment profit/EBIT	234,655	23,168	4,649	15,711	3,006	(47,643)	233,546
Net finance costs (including discontinued operations)							(10,212)
Profit before income tax							223,334
Discontinued operations before tax (note 23)							(15,756)
Profit before income tax from continuing operations							207,578
Segment assets	1,258,606	101,584	548,778	–	–	642,982	2,551,950
Net additions to non-current assets (other than financial assets and deferred tax)	157,966	20,490	73,075	3,933	–	133,853	389,317

	SKYCITY AUCKLAND	REST OF NEW ZEALAND	ADELAIDE CASINO	SKYCITY DARWIN	INTERNATIONAL BUSINESS	CORPORATE /GROUP	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018							
Gaming revenue	360,501	55,405	125,779	82,638	138,980	–	763,303
Non-gaming revenue	170,527	9,943	23,617	29,760	37	–	233,884
Total revenue	531,028	65,348	149,396	112,398	139,017	–	997,187
Shares of net profits/(losses) of associates	–	(347)	–	–	–	–	(347)
Expenses	(270,319)	(36,315)	(124,971)	(85,020)	(105,834)	(35,653)	(658,112)
Depreciation and amortisation	(50,385)	(5,401)	(18,287)	(13,515)	–	(6,789)	(94,377)
Segment profit/EBIT	210,324	23,285	6,138	13,863	33,183	(42,442)	244,351
Net finance costs (including discontinued operations)							(12,458)
Profit before income tax							231,893
Discontinued operations before tax (note 23)							(15,234)
Profit before income tax from continuing operations							216,659
Segment assets	1,167,809	97,075	515,746	231,801	–	532,077	2,544,508
Net additions to non-current assets (other than financial assets and deferred tax)	96,894	6,582	43,925	10,664	–	158,038	316,103

(b) Secondary Reporting Format – Geographical Segments

	SEGMENT REVENUES		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS	
	2019 \$'000	RESTATED 2018 \$'000	2019 \$'000	2018 \$'000
New Zealand	749,699	664,378	1,736,037	1,658,548
Australia	236,298	332,809	540,841	709,485
	985,997	997,187	2,276,878	2,368,033

(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, car parking, Sky Tower, investment properties 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, SkyCity Wharf and Associates, 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.

SkyCity Darwin was sold on 4 April 2019 (refer note 23).

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 NZICC is also included here.

3 Revenue**Accounting Policy**

Gaming revenues represent the net win to the casino from gaming activities, being the difference between amounts wagered and amounts won by casino patrons. International Business commissions are treated as a reduction in revenue.

Non-gaming revenues include hotel and conventions, food and beverage, Sky Tower, car parking and other revenues. These are recognised when the goods are provided or services are rendered.

	2019	RESTATED 2018
	\$'000	\$'000
Gaming	601,696	611,880
Non-gaming	200,569	201,948
Total revenue	802,265	813,828

Revenue has been restated for the impact of NZ IFRS 15 (note 1(f)) and the sale of Darwin (note 23).

The Group also provides complimentary hotel accommodation, food and beverage and other promotions to certain groups of customers, it is not practical to separate this revenue from gaming revenues. Retail values of such complimentary items amounted to \$33.6 million (2018: \$33.2 million).

4 Other Income

	2019	RESTATED 2018
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	18,453	868
Dividend income	8	6
Rental income from investment properties	2,338	1,531
	20,799	2,405

\$17.4 million of the net gain on disposal of property plant and equipment related to the sale of the Federal Street car park in Auckland.

5 Expenses

	2019	RESTATED 2018
	\$'000	\$'000
Other Expenses Include:		
Utilities, insurance and rates	21,863	21,405
Other property expenses	12,124	11,440
Other items	52,216	46,970
Minimum lease payments relating to operating leases	4,351	4,870
Provision for bad and doubtful debts	1,245	1,688
	91,799	86,373
Depreciation and Amortisation		
Depreciation	66,739	68,913
Casino licence amortisation (Adelaide)	5,556	5,786
Computer software amortisation	7,693	6,162
	79,988	80,861

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 and tax compliance. 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.

	2019	2018
	\$'000	\$'000
(a) Assurance Services		
Audit Services		
Group Audit	813	690
(b) Other Services		
Taxation advisory services	501	406
Tax compliance services	59	100
Executive remuneration benchmarking assistance	142	121
Provision of software tool for subsidiary statutory financial statement preparation	27	27
Total remuneration for other services	729	654
Total fees expense	1,542	1,344

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.

	2019	2018
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	675,772,802	669,112,499

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.

	2019	2018
	\$'000	\$'000
Prior year final dividend	67,751	66,210
Current year interim dividend	67,938	67,129
Total dividends provided for or paid	135,689	133,339
Cents per share		
Prior year final dividend (per share)	10.0	10.0
Current year interim dividend (per share)	10.0	10.0

On 13 August 2019, the directors resolved to declare a final dividend of 10.0 cents per share in respect of the year ended 30 June 2019 (refer to note 32 for further details).

8 Net Finance Costs

	2019	2018
	\$'000	\$'000
Finance costs	41,598	35,915
Exchange (gains)/losses	(316)	(136)
Interest income	(723)	(354)
Capitalised interest (refer Property, Plant and Equipment note 16)	(30,319)	(22,899)
Total finance costs	10,240	12,526

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.

	2019	2018
	\$'000	\$'000
Current		
Syndicated bank facility	28,000	–
United States private placement notes	21,127	–
Total current interest bearing borrowings	49,127	–

Refer note 10(a) for details concerning the US private placement notes ("USPP") and note 10(b) for details concerning the syndicated bank facility.

10 Non-Current Liabilities – Interest Bearing Liabilities

Accounting Policy

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Apart from US dollar denominated USPP debt maturing in March 2025, interest bearing liabilities are subsequently carried at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The interest margin on the US dollar denominated USPP debt maturing in March 2025 is accounted under NZ IFRS 9 as a fair value hedge. Therefore the carrying value of this debt is carried at fair value for the interest rate risk.

	2019	2018
	\$'000	\$'000
Unsecured		
United States private placement notes	373,091	386,658
New Zealand bonds	125,000	125,000
Deferred funding expenses	(2,178)	(3,205)
Total non-current interest bearing liabilities	495,913	508,453

(a) United States Private Placement (USPP) Notes

As at 30 June 2019 (and 30 June 2018), SkyCity had outstanding:

- NZ\$21.1 million maturing 15 March 2020;
- US\$100.0 million maturing 15 March 2021;
- US\$100.0 million maturing 17 March 2025; and
- A\$65.4 million maturing 15 March 2028.

Movements in the carrying value of the outstanding balance in the current year relate to movements in exchange rates and interest rates.

The US dollar USPP notes have been hedged to NZ dollars or Australian dollars by way of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar. The offsetting changes in the value of the cross currency interest rate swaps are included within derivative financial instruments in note 24.

Fair value of USPP debt is estimated at NZ\$410.9 million compared to a carrying value of NZ\$394.2 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 unsecured 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 2019 (and 30 June 2018), SkyCity had in place revolving credit facilities of:

- NZ\$200.0 million maturing 30 June 2020;
- NZ\$120.0 million maturing 15 March 2021; and
- A\$280.0 million maturing 31 March 2022.

(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 2019, the closing price was \$1.05919 per \$1 bond (2018: \$1.03385 per \$1 bond). The bonds are carried at amortised cost. The total fair value is \$132.4 million and is a level 1 valuation as they are listed securities.

(d) Negative Pledge Deeds

A negative pledge deed has been executed in relation to each of the funding facilities – bank facilities, USPP notes and New Zealand bonds. In each deed are requirements for minimum guarantee group participation as well as financial covenants. All requirements of the negative pledge deeds have been met as at 30 June 2019.

(e) Weighted Average Interest Rate as at 30 June

	WEIGHTED AVERAGE INTEREST RATE	BALANCE	WEIGHTED AVERAGE INTEREST RATE	BALANCE
	2019	2018	2019	2018
	%	\$'000	%	\$'000
Interest bearing liabilities*	6.56%	547,218	6.21%	511,658

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

(f) Net debt reconciliation

	2019	2018
	\$'000	\$'000
Cash at bank	7,256	27,198
Cash in house	34,318	48,757
Borrowings – repayable within one year	(49,127)	–
Borrowings – repayable after one year	(498,091)	(511,658)
	(505,644)	(435,703)
Cash at bank and in house	41,574	75,955
Gross debt – fixed interest rates	(498,091)	(490,531)
Gross debt – variable interest rates	(49,127)	(21,127)
	(505,644)	(435,703)

11 Non-Current Assets – Investment Properties

Accounting Policy

Investment property, principally comprising freehold office buildings, is held for long term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement.

	2019	2018
	\$'000	\$'000
At fair value		
Balance at the beginning of the year	35,300	–
Acquisitions	8,564	36,099
Net (loss) from fair value adjustment	(3,204)	(799)
Closing balance at 30 June	40,660	35,300

(a) Amounts recognised in profit and loss for investment property

	2019	2018
	\$'000	\$'000
Rental income	2,338	1,531
Direct operating expenses from property that generated rental income	(819)	(467)
Net (loss) from fair value adjustment	(3,204)	(799)
	(1,685)	265

(b) Valuation basis

Investment properties were valued on 30 June 2019 by Bower Valuations Limited and Extensor Advisory Limited, Registered Valuers and Members of the New Zealand Institute of Valuers and the Property Institute of New Zealand, at a total value of \$40.66 million. The valuer has recent experience in the location and category of the investment being valued. The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The following were the significant assumptions used in the valuations:

- initial yield of 4.4%;
- capitalisation rate of 5.0%; and
- rate per square metre of net lettable area of approximately \$9,500.

12 Income Tax Expense**Accounting Policy**

The income tax expense for the year is the tax payable on the current year'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.

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.

	2019	RESTATED 2018
	\$'000	\$'000
(a) Income Tax Expense		
Current tax	60,616	50,129
Deferred tax	(13,863)	7,698
Income tax expense	46,753	57,827
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Profit from continuing operations before income tax expense	207,578	216,659
Prima facie income tax @ 28%	58,122	60,665
Tax effects of:		
Expenses not deductible for tax purposes	3,258	2,141
Foreign exchange rate differences	(3)	(88)
Share of partnership expenditure	(1,920)	(6,399)
Differences in overseas tax rates	1,116	523
Asset held for sale	(11,509)	999
Capital gain - Federal Street car park	(6,211)	-
Prior period adjustments (including ATO settlement)	3,888	-
Other	12	(14)
Income tax expense	46,753	57,827

The weighted average applicable tax rate was 22.5% (2018: 26.7%).

13 Deferred Tax Assets

	2019	2018
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	5,303	-
Depreciation	(4,365)	-
Foreign exchange variances	1,713	-
Cashflow hedges	1,846	-
Other	346	-
Net deferred tax assets	4,843	-
Movements:		
Transferred from deferred tax liabilities	(1,097)	-
Transferred to discontinued operations	5,088	-
Foreign exchange differences	84	-
Charged to the Income statement (note 12)	2,651	-
Tax charged/(credited) directly to other comprehensive income (note 12)	(1,883)	-
Closing balance at 30 June	4,843	-

Deferred tax assets relate to the Australian operations.

14 Deferred Tax Liabilities

	2019	2018
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	(11,664)	(14,537)
Depreciation	89,958	108,611
Foreign exchange variances	-	141
Cashflow hedges	(7,480)	(9,217)
Other	(654)	(451)
Net deferred tax liabilities	70,160	84,547
Movements:		
Balance at the beginning of the year	84,547	80,021
Transferred to deferred tax assets	(1,097)	-
(Credited)/charged to the income statement (note 12)	(11,212)	7,698
Charged to the income statement relating to discontinued operations	-	501
Tax credited directly to other comprehensive income	(2,101)	(3,627)
Foreign exchange differences	23	(46)
Closing balance at 30 June	70,160	84,547

Deferred tax liabilities exclude the Australian operations which have a net deferred tax asset (liability as at 30 June 2018) (refer to note 13).

15 Imputation and Franking Credits

	2019	2018
	\$'000	\$'000
Balances available for use in subsequent reporting periods		
Imputation credit account (New Zealand)	46,926	47,254
Franking credit account (Australia) (A\$'000)	15,176	3,476

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2019.

16 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 follows:

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	BUILDINGS AND FITOUT	PLANT, EQUIPMENT AND MOTOR VEHICLES	FIXTURES AND FITTINGS	CAPITAL WORK IN PROGRESS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2017						
Cost	189,876	976,690	412,569	128,629	304,763	2,012,527
Accumulated depreciation	-	(320,899)	(285,953)	(81,098)	-	(687,950)
Net book amount	189,876	655,791	126,616	47,531	304,763	1,324,577
Year ended 30 June 2018						
Opening net book amount	189,876	655,791	126,616	47,531	304,763	1,324,577
Exchange differences	948	6,074	1,509	424	2,183	11,138
Net additions/transfers	-	15,982	37,444	8,725	205,046	267,197
Assets classified as held for sale (note 20)	(9,850)	(12,292)	(31)	(2)	-	(22,175)
Depreciation charge*	-	(28,675)	(41,458)	(11,994)	-	(82,127)
Closing net book amount	180,974	636,880	124,080	44,684	511,992	1,498,610
At 30 June 2018						
Cost	180,974	985,155	443,233	137,689	511,992	2,259,043
Accumulated depreciation	-	(348,275)	(319,153)	(93,005)	-	(760,433)
Net book amount	180,974	636,880	124,080	44,684	511,992	1,498,610
Year ended 30 June 2019						
Opening net book amount	180,974	636,880	124,080	44,684	511,992	1,498,610
Exchange differences	(1,095)	(6,864)	(1,564)	(435)	(4,085)	(14,043)
Net additions/transfers	56,828	12,000	31,704	5,925	244,836	351,293
Discontinued operations (note 23)	(17,661)	(122,977)	(17,172)	(4,916)	(253)	(162,979)
Assets classified as held for sale (note 20)	(8,729)	(45,428)	(710)	-	(110,641)	(165,508)
Depreciation charge*	-	(22,658)	(37,551)	(10,907)	-	(71,116)
Closing net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257
At 30 June 2019						
Cost	210,317	775,739	371,060	123,996	641,849	2,122,961
Accumulated depreciation	-	(324,786)	(272,273)	(89,645)	-	(686,704)
Net book amount	210,317	450,953	98,787	34,351	641,849	1,436,257

*depreciation charge above includes depreciation on both continuing (refer note 5) and discontinued operations (refer note 23).

(a) Capitalised Borrowing Costs

Borrowing costs of \$30.3 million have been capitalised in the current year relating to capital projects (2018: \$22.9 million) using the Group's weighted average cost of debt of 6.11% (2018: 6.27%).

(b) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities was \$257.7 million (2018: \$490.5 million). The majority of the 2019 capital commitment relates to the construction of the NZICC, the Horizon Hotel and the Adelaide expansion.

(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 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 protects 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.

17 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 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.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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 in accordance with NZ IAS 20. 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 completion 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 15 years) on a straight line basis.

	GOODWILL	CASINO LICENCES	COMPUTER SOFTWARE	TOTAL
	\$'000	\$'000	\$'000	\$'000
At 1 July 2017				
Cost	35,786	807,152	92,829	935,767
Accumulated amortisation	–	(50,118)	(66,624)	(116,742)
Net book amount	35,786	757,034	26,205	819,025
Movements in the Year Ended 30 June 2018				
Exchange differences	–	12,411	133	12,544
Additions	–	–	12,514	12,514
Amortisation charge*	–	(5,786)	(6,464)	(12,250)
Closing net book amount	35,786	763,659	32,388	831,833
At 30 June 2018				
Cost	35,786	821,364	102,842	959,992
Accumulated amortisation	–	(57,705)	(70,454)	(128,159)
Net book amount	35,786	763,659	32,388	831,833
Movements in the Year Ended 30 June 2019				
Exchange differences	–	(14,117)	(138)	(14,255)
Additions	–	–	29,461	29,461
Discontinued operations	–	(33,094)	(1,955)	(35,049)
Amortisation charge*	–	(5,556)	(8,026)	(13,582)
Closing net book amount	35,786	710,892	51,730	798,408
At 30 June 2019				
Cost	35,786	768,618	127,311	931,715
Accumulated amortisation	–	(57,726)	(75,581)	(133,307)
Net book amount	35,786	710,892	51,730	798,408

*amortisation charge above includes amortisation on both continuing (refer note 5) and discontinued operations (refer note 23).

CASINO LICENCE	CONTRACT TERM
SkyCity Auckland Casino (indefinite useful life)	<p>SkyCity Auckland Limited holds a Casino Premises Licence for the Auckland premises.</p> <p>The initial licence was granted in 1996 for nil consideration, and hence there was no associated initial carrying value.</p> <p>Pursuant to the terms of the New Zealand International Convention Centre Project and Licensing Agreement between Her Majesty the Queen in Right of New Zealand and the Company dated 5 July 2013 (NZICC Agreement), the initial term of the licence was extended to 30 June 2048.</p> <p>The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ).</p> <p>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 NZICC Agreement, the Company has agreed to construct the NZICC for a total cost of at least \$430 million.</p> <p>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 was determined using a discounted cashflow model falling within level 3 of the fair value hierarchy over the life of the reforms.</p> <p>The asset is not amortised but is reviewed for impairment annually.</p> <p>The carrying amount of the casino licence is \$405 million (FY18: \$405 million).</p>
Adelaide Casino (finite useful life)	<p>The casino and associated operations are carried out by SkyCity Adelaide Pty Limited under a casino licence (the Approved Licensing Agreement (ALA)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is 30 June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the casino licence is amortised over the life of the ALA.</p> <p>The casino licence and associated regulatory reforms asset is amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period.</p> <p>The carrying value of the casino licence is A\$288.3 million (FY18: A\$293.5 million) (NZ\$301.5 million and NZ\$319.7 million respectively).</p>
SkyCity Hamilton Casino (indefinite useful life)	<p>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.</p>

CASINO LICENCE	CONTRACT TERM
SkyCity Queenstown Casino (indefinite useful life)	<p>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.</p>
SkyCity Wharf Casino (Queenstown) (indefinite useful life)	<p>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 (FY18: \$4.4 million).</p> <p>The asset is not amortised but is reviewed for impairment annually.</p>

Deferred Licence Value

The deferred licence value relating to Auckland (\$355.2 million, 2018: \$405.0 million) and Adelaide (NZ\$149.6 million, 2018: NZ\$155.8 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.

As detailed in note 1(h), SkyCity has signed an agreement to grant a concession over the car

parks within the New Zealand International Convention Centre. As a result of this agreement the carrying value of, and the deferred licence value associated with, these car parks have been transferred to "non-current assets classified as held for sale" within current assets on the Balance Sheet. The transfer from the deferred licence value was \$49.8 million which represents the estimated portion of the Auckland \$405.0 million deferred licence value that relates to the car parks as a percentage of the total construction cost.

(a) Impairment Tests for Intangibles with Indefinite Lives

	SKYCITY AUCKLAND	OTAGO CASINOS LIMITED*	SKYCITY HAMILTON*	SKYCITY DARWIN	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Goodwill	–	–	35,786	–	35,786
Casino Licence	405,000	4,391	–	–	409,391
Total	405,000	4,391	35,786	–	445,177
2018					
Goodwill	–	–	35,786	–	35,786
Casino Licence	405,000	4,391	–	34,566	443,957
Total	405,000	4,391	35,786	34,566	479,743

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 which include cash flows in relation to International Business where those cash flows relate to the relevant Cash Generating Unit. There is a surplus between the calculated value in use and the carrying value for each asset.

*SkyCity Hamilton and Otago Casinos 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	
	2019	2018	2019	2018	2019	2018
SkyCity Auckland	40.9%	40.9%	2.0%	2.0%	9.0%	9.0%
SkyCity Hamilton	43.5%	44.5%	2.0%	2.0%	9.0%	9.0%

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

18 Receivables and Prepayments**Accounting Policy**

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

	2019	2018
	\$'000	\$'000
Trade receivables (net)	36,160	14,611
Sundry receivables	13,133	8,768
Total receivables and prepayments	49,293	23,379

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

19 Cash and Bank Balances

	2019	2018
	\$'000	\$'000
Cash at bank	7,256	27,198
Cash in house	34,318	48,757
Total cash and bank balances	41,574	75,955

20 Non-Current Assets Classified as Held For Sale**Accounting Policy**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

	2019	2018
	\$'000	\$'000
Land	8,729	9,850
Buildings	104,041	12,292
Plant and equipment	2,917	33
Total	115,687	22,175

Assets held for sale consist of the Darwin Little Mindil site (\$10.8 million (30 June 2018: nil)) and the Auckland car park concession (\$104.9 million (30 June 2018: nil)). The \$104.9 million relating to the Auckland car park concession includes \$154.7 million transferred from Property, Plant and Equipment (note 16), partially offset by \$49.8 million transferred from Deferred Licence Value (note 17). The prior year balance related to the Federal Street car park which was sold during the year.

21 Payables**Accounting Policy**

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

	2019	RESTATED 2018
	\$'000	\$'000
Trade payables	26,489	32,149
Deferred income	1,779	2,784
Accrued expenses	117,448	89,145
Employee benefits	42,896	42,747
Liquidated damages (refer note 29)	39,500	26,900
Total payables	228,112	193,725

22 Share Capital

	2019	2018	2019	2018
	Shares	Shares	\$'000	\$'000
Opening balance of ordinary shares issued	680,342,108	667,376,523	1,152,260	1,100,792
Share rights issued for employee services	-	-	4,540	2,983
Share buy back and cancellation	(10,095,373)	-	(38,792)	-
Net issue/(purchase) of treasury shares	-	-	397	228
Shares issued under dividend reinvestment plan	2,104,431	12,965,585	8,591	48,257
	672,351,166	680,342,108	1,126,996	1,152,260

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

Included within the number of shares is 5,190,841 treasury shares (2018: 5,515,841) held by the company. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans and purchases of, shares by an external trustee as part of the executive long term incentive plan (refer note 26). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

23 Discontinued Operations

(a) Sale of Darwin Operations

On 8 November 2018, SkyCity announced the sale of the Darwin business to Delaware North. A sale and purchase agreement for A\$188 million was signed subject to regulatory approval and other minor matters. All conditions were satisfied and the disposal was completed on 4 April 2019.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 4 April 2019 (2019 column) and the year ended 30 June 2018.

	2019	2018
	\$'000	\$'000
Revenue	83,101	112,394
Expenses	(62,662)	(83,713)
EBITDA	20,439	28,681
Depreciation and amortisation	(4,711)	(13,515)
EBIT	15,728	15,166
Financing	28	68
Profit before income tax	15,756	15,234
Income tax expense	(3,708)	(4,547)
Profit after income tax of discontinued operations	12,048	10,687
Loss on disposal	(28,292)	-
Profit from discontinued operations	(16,244)	10,687
Cash flow:		
Net cash inflow from operating activities	11,232	19,241
Net cash (outflow) from investing activities	(4,201)	(12,638)
Net cash (outflow) from financing activities	-	-
Total cash flows	7,031	6,603

(c) Details of the sale of the subsidiary

	2019	2018
	\$'000	\$'000
Consideration received or receivable:		
Cash	197,065	-
Working capital settlement	3,238	-
Total disposal consideration	200,303	-
Carrying amount of net assets sold	(193,730)	-
Transaction costs	(4,618)	-
Gain on sale before income tax and reclassification of foreign currency translation reserve	1,955	-
Reclassification of foreign currency translation reserve	(27,864)	-
Impact on interest rate hedging	(5,010)	-
Income tax expense on disposal	2,627	-
Loss on sale after income tax	(28,292)	-

The carrying amounts of assets and liabilities as at the date of sale (4 April 2019) were:

	2019	2018
	\$'000	\$'000
Property, plant and equipment	162,979	-
Intangible assets (casino licence and software)	35,049	-
Cash and bank balances	12,204	-
Other assets	3,057	-
Total assets	213,289	-
Deferred tax liability	(5,088)	-
Employee benefit obligations	(4,544)	-
Other liabilities	(9,927)	-
Total liabilities	(19,559)	-
Net assets	193,730	-

24 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).

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.

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 recognised 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.

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.

	NOTIONAL VALUE		FAIR VALUE	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current Assets				
Forward foreign exchange contracts	6,798	–	85	–
Non-current Assets				
Interest rate swaps – cash flow hedges	–	50,000	–	71
Cross-currency interest rate swaps - cash flow hedges*	255,106	110,106	56,201	42,526
Total non-current derivative financial instrument assets	255,106	160,106	56,201	42,597
Current Liabilities				
Forward foreign currency contracts	75,459	61,607	784	86
Interest rate swaps – cash flow hedges	–	80,000	–	448
Total current derivative financial instrument liabilities	75,459	141,607	784	534
Non-current Liabilities				
Interest rate swaps – cash flow hedges	401,721	399,682	30,913	24,742
Cross-currency interest rate swaps – cash flow hedges	–	148,346	–	4,028
Total non-current derivative financial instrument liabilities	401,721	548,028	30,913	28,770
Total net derivative financial instruments			24,589	13,293

*A component of the interest margin in US\$100.0 million of these CCIRS is treated as a fair value hedge.

25 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risks (including currency and interest rate risk), 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 currency 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, and intercompany loans to, 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

The Group 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. The Group 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 & 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); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Other than the New Zealand bonds, which are listed on the NZDX and therefore level 1, 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. Investment Properties are valued using level three in the above fair value measurement hierarchy.

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; and
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Further details on derivatives are provided in note 24.

(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:

	2019	2018
Gearing ratio	1.5 x	1.3 x
Interest coverage	8.4 x	9.5 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing ratio and interest cover as at 30 June 2019 were within covenant limits on funding facilities.

26 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 company revises its estimates of the number of shares expected to be distributed. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period.

Current Plans

Executive Long Term Incentive Plan

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

At the end of the restricted period (three to four 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 relative to other comparable companies.

At 30 June 2019, the interest free loans relating to the Executive Long Term Incentive Plan total \$7,760,214 (2018: \$8,352,332).

2017 Chief Executive Officer commencement shares

Under the terms of his employment agreement dated 4 November 2016, the Chief Executive Officer will (subject to his continued employment) be issued 325,000 ordinary SkyCity shares on the second anniversary of the date of his employment agreement. There were no performance targets associated with these shares, and there was no right to dividends in the intervening period. These shares vested to the Chief Executive Officer during the year.

2018 Chief Operating Officer commencement shares

Under the terms of his employment agreement dated 18 November 2017, the Chief Operating Officer will (subject to his continued employment) be issued 35,000 ordinary SkyCity shares on 1 November 2019. There are no performance targets associated with these shares, and there is no right to dividends in the intervening period.

2018 SkyCity Restricted Share Rights Plan

The 2018 Short Term Incentive Plan was changed for selected senior staff. For approximately 116 staff the 2018 short term incentive was replaced with restricted share rights. These rights were issued to staff after the finalisation of the Group's results. Each right converts to one share provided the staff member continues to be employed by the Group on 30 June 2020.

Performance Incentive Plan

The 2018 Short Term Incentive Plan was replaced in 2019 with the Performance Incentive Plan (the PIP) that includes cash (the short term incentive scheme component of the PIP) and deferred equity components (the deferred short term incentive component of the PIP).

The deferred STI scheme under the PIP offers participants, subject to the relevant STI performance conditions being met, the opportunity to acquire restricted share rights of an amount equivalent to between 10% and 50% of their base salary. Restricted share rights (if any) issued to a participant on a STI cash payment date (Declaration Date) will only vest if that participant remains an employee up and until:

- the first anniversary of the Declaration Date in respect of 50% of the restricted share rights; and
- the second anniversary of the Declaration Date in respect of the remaining 50% of the restricted share rights.

However, if a participant's deferred STI entitlement in any financial year is to restricted share rights having a value of \$10,000 or less (calculated using the volume-weighted average sale price of SkyCity shares used to determine the number of restricted share rights to be issued to the participant), the restricted share rights will not be split out equally into two separate tranches, but will instead comprise one tranche and (subject to the vesting criteria being satisfied) vest to the participant on the first anniversary of the Declaration Date.

These restricted share rights will be issued to staff after the finalisation of the Group's results.

Outstanding Rights and Shares

Movements in the number of share options outstanding.

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE AT END OF THE YEAR
		Number	Number	Number	Number	Number
2019						
27/08/14	27/08/18	555,000	-	-	(555,000)	-
26/08/15	28/08/19	380,000	-	-	(20,000)	360,000
24/08/16	24/08/20	415,000	-	-	(20,000)	395,000
04/11/16	03/11/18	325,000	-	(325,000)	-	-
23/08/17	23/08/21	910,883	-	-	(45,000)	865,883
18/11/17	18/11/19	35,000	-	-	-	35,000
22/08/18	22/08/21	-	434,035	-	-	434,035
11/09/18	30/06/20	-	1,898,564	-	(38,923)	1,859,641
Total		2,620,883	2,332,599	(325,000)	(678,923)	3,949,559
2018						
28/08/13	28/08/17	493,124	-	-	(493,124)	-
27/08/14	27/08/18	665,000	-	-	(110,000)	555,000
26/08/15	28/08/19	515,000	-	-	(135,000)	380,000
24/08/16	24/08/20	625,000	-	-	(210,000)	415,000
04/11/16	03/11/18	325,000	-	-	-	325,000
23/08/17	23/08/21	-	1,015,883	-	(105,000)	910,883
18/11/17	18/11/19	-	35,000	-	-	35,000
Total		2,623,124	1,050,883	-	(1,053,124)	2,620,883

The weighted average remaining contractual life of rights outstanding at the end of the period was 1.42 years (2018: 1.69 years).

Fair Values

Fair Value of Share Rights Granted

The assessed fair value at grant date of the rights granted on 22 August 2018 was \$1.17 (23 August 2017 was \$1.28). This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 22 August 2018 included:

- (a) rights are granted for no consideration
- (b) exercise price: nil (2018: nil)
- (c) share price at grant date: \$4.34 (2018: \$3.90)

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

Fair Value of Chief Executive Officer Commencement Shares

The assessed fair value at grant date of the commencement shares at 4 November 2016 was \$2.68. This was calculated using the European call option model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the commencement shares on 4 November 2016 included:

- (a) no consideration
- (b) exercise price: nil
- (c) share price at grant date: \$3.62
- (d) no right to dividends

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

Fair Value of Chief Operating Officer Commencement Shares

The assessed fair value at grant date of the commencement shares at 18 November 2017 was \$2.68. This was calculated using the European call option model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the commencement shares on 18 November 2017 included:

- (a) no consideration
- (b) exercise price: nil
- (c) share price at grant date: \$3.57
- (d) no right to dividends

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

Fair Value of SkyCity Restricted Share Rights

The assessed fair value of each right was determined by Ernst & Young Transaction Advisory Services Limited at \$3.02.

Fair Value of SkyCity Deferred Share Rights

The assessed fair value of each right was determined by Ernst & Young Transaction Advisory Services Limited. Rights vesting one year after year end were valued at \$3.68 and rights vesting two years after year end were valued at \$3.33. The exact number of rights to be issued will not be determined until after the finalisation of the Group's results.

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:

	2019	2018
	\$'000	\$'000
Rights issued under Share Rights Plans	4,540	2,983

27 Related Party Transactions

(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 and the Senior Leadership Team.

	SHORT-TERM BENEFITS	SHARE-BASED PAYMENTS	TOTAL
	\$'000	\$'000	\$'000
2019	8,993	2,311	11,304
2018	9,061	1,730	10,791

(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 in the normal course of business.

Certain directors and management hold shares in SkyCity and receive dividends in the normal course of business.

(c) Subsidiaries

Interests in subsidiaries are set out in note 28.

28 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2019 %	2018 %
Cashel Asset Management Limited	New Zealand	Ordinary	100%	–
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 Properties Limited	New Zealand	Ordinary	100%	–
SkyCity Properties Albert St Limited	New Zealand	Ordinary	100%	–
SkyCity Properties Victoria St Limited	New Zealand	Ordinary	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%
SkyCity Treasury Australia Pty Limited	Australia	Ordinary	100%	100%
Horizon Tourism Limited	Hong Kong	Ordinary	100%	100%
SkyCity Investment Holdings Limited	Hong Kong	Ordinary	100%	100%
SkyCity Malta Holdings Limited	Malta	Ordinary	100%	–
SkyCity Malta Limited	Malta	Ordinary	100%	–
SkyCity Management (UK) Limited	United Kingdom	Ordinary	100%	–

All wholly-owned subsidiary companies have balance dates of 30 June.

29 Contingencies

(a) Contingent Liabilities

The Group has no contingent liabilities at 30 June 2019.

(b) Contingent Assets

Included within the Fletcher Construction Company Limited (FCC) construction contracts for the NZICC and Horizon Hotel is the right to liquidated damages if certain milestones are not met. To date SkyCity has withheld \$39.5 million (2018: \$26.9 million) from payments to FCC for

liquidated damages. The amounts withheld have been recognised as part of current liabilities (refer note 21) as ultimate recovery is not able to be considered virtually certain due to the fact that SkyCity's right to retain these liquidated damages is disputed by FCC.

Additional future costs expected to be incurred by SkyCity due to delays in the NZICC and Horizon Hotel project are expected to be covered by liquidated damages.

There are no other significant contingent assets at year end (2018: nil).

30 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.

	2019	2018
	\$'000	\$'000
Within one year	4,774	4,947
Later than one year but not later than five years	12,313	13,150
Later than five years	341,176	329,068
Commitments not recognised in the financial statements	358,263	347,165

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.

In addition to the operating lease summary above the Group has commitments to the following leases which are not yet effective:

- Adelaide: 750 car park spaces
- Auckland: NZICC air bridge across Hobson Street

As outlined in note 1(g), from 1 July 2019 SkyCity will adopt NZ IFRS 16 resulting in the recognition of all material operating leases on the balance sheet.

31 Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

	2019	2018
	\$'000	\$'000
Profit for the year	144,581	169,519
Depreciation and amortisation (including discontinued operations)	84,698	94,377
Net finance costs	10,240	12,458
Current period employee share expense	4,540	2,983
Gain on sale of fixed assets	(18,453)	(1,071)
Fair value adjustment to investment property	3,204	799
Share of profits/(losses) of associates	737	347
Transfer from Foreign Currency Translation Reserve	27,864	-
Change in operating assets and liabilities		
Change in receivables and prepayments	(25,914)	(6,016)
Change in inventories	1,111	(533)
Change in deferred tax asset	(4,843)	-
Change in payables	34,387	56,109
Change in deferred tax liability	(9,299)	4,526
Change in tax receivable - current	3,869	(2,731)
Change in provisions	(1,776)	345
Change in tax payable - current	7,277	(6,365)
Working capital relating to discontinued operations	11,415	-
Capital items included in working capital movements	(21,314)	(35,658)
Net cash inflow from operating activities	252,324	289,089

32 Events Occurring after the Balance Sheet Date

Dividend

On 13 August 2019, the directors resolved to provide for a 10 cents per share final dividend to be paid in respect of the year ended 30 June 2019. The fully imputed, unfranked dividend of 10 cents per share will be paid on 13 September 2019 to all shareholders on the company's register at the close of business on 30 August 2019.

Reconciliation of Normalised Results to Reported Results

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. The intention is to provide information which:

- is representative of SkyCity's underlying performance (as a potential indicator of future performance);
- can be compared across years; and
- can assist with comparison between publicly listed casino companies in New Zealand and Australia.

This objective is achieved by:

- eliminating inherent volatility or "luck" as a factor from International Business, which has variable turnover and actual win % period to period;
- eliminating structural differences in our business between periods; and
- eliminating known different treatments with other New Zealand and Australian publicly listed casino companies.

Non-GAAP information is prepared in accordance with a Board-approved Non-GAAP Financial Information Policy and is reviewed by the Board at each reporting period. Application of SkyCity's Non-GAAP Financial Information Policy is consistent with the approach adopted in FY18.

The differences between FY19 reported and normalised information is summarised below.

	FY19				FY18			
	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m	Revenue \$m	EBITDA \$m	EBIT \$m	NPAT \$m
Reported	822.3	297.8	217.8	144.6	815.9	310.0	229.2	169.5
IB revenue adjustment	80.3	-	-	-	68.6	-	-	-
Gaming GST	95.2	-	-	-	91.8	-	-	-
IB at theoretical win rate	49.9	38.7	38.7	27.8	4.0	(0.5)	(0.5)	0.4
Sale of Darwin	88.7	20.4	10.4	24.7	120.6	28.7	15.2	-
Gain on sale of Federal Street car park	(17.4)	(17.4)	(17.4)	(17.7)	-	-	-	-
Revaluation of Auckland properties	-	3.2	3.2	3.2	-	-	-	-
Significant tax events	-	-	-	(9.5)	-	-	-	-
Normalised	1,118.9	342.7	252.8	173.0	1,100.8	338.2	243.8	169.9

Adjustment	Explanation	Rationale
Treat IB commissions as an expense rather than a reduction in revenue which reduced both reported revenue and operating expenses within International Business (by \$80.3m in FY19 and \$68.6m in FY18)	In FY19, SkyCity adopted NZ IFRS 15 Revenue from Contracts with Customers ("NZIFRS 15") for the first time. This accounting standard was applied to both FY19 and FY18 within the Group's financial statements. The main impact of adopting NZIFRS 15 was to reduce both revenue and expenses by the amount of International Business junket commissions. This does not impact EBITDA, EBIT or NPAT. This adjustment adds back International Business commissions and increases both revenue and expenses. This adjustment does not impact EBITDA, EBIT or NPAT.	This adjustment has been made to maintain the relationship between turnover and the theoretical win rate of 1.35% when determining normalised revenue. This adjustment is consistent with how all New Zealand and Australian publicly listed casino companies present revenue for International Business. By making this adjustment, SkyCity is enabling the user of its financial information to more easily compare results to other casino companies. SkyCity believes this enhances the user's understanding of comparative results and enables the user to better understand normalised International Business results.
Add gaming GST to reported revenue (\$95.2m in FY19 and \$91.8m in FY18)	Reported revenue included within the financial statements of the Group excludes GST. This adjustment adds back GST associated with gaming so that normalised revenue equals the amount bet by gaming customers.	All publicly listed New Zealand and Australian casino companies include GST associated with gaming within their revenue results. Including gaming GST within reported revenue is not consistent with GAAP and, from FY19, SkyCity has ceased to include gaming GST within revenue in its financial statements. However, SkyCity does include gaming GST within its normalised revenue. By making this adjustment, SkyCity is enabling the user of financial information to more easily compare results to other casino companies. This adjustment does not impact EBITDA, EBIT or NPAT.
Apply theoretical win rate of 1.35% for IB vs. actual win rate of 1.00% (FY19) and 1.32% (FY18)	This adjustment recalculates gaming win from International Business to the theoretical win rate. The vast majority of International Business play is baccarat. Statistically, over the long term the casino expects to win 1.35% of all bets taken on baccarat. However, in any particular reporting period the actual results of play will vary depending on "luck". The 1.35% win rate is used by all publicly listed New Zealand and Australian casino companies in addition to casino companies in Asia and the United States. For FY19 the actual win rate was 1.00% and in FY18 the win rate was 1.32%. SkyCity's average win rate over the last 10 years is 1.27% (or 1.33% excluding FY19).	In order to understand the long term results within International Business there is the need to eliminate the inherent volatility or "luck" factor. By adjusting win to the theoretical win rate, the users of the financial information are able to understand the underlying performance of International Business and form a view on the future performance of this business activity. For internal purposes, including budgeting and determination of staff incentives, the theoretical win rate of 1.35% is used.

Adjustment	Explanation	Rationale
Eliminate the impact of disposing the Darwin operations (classified as discontinued operations from 8 November 2018 and sold on 4 April 2019)	<p>During FY19, SkyCity sold its Darwin operations.</p> <p>In the Group's financial statements, this has resulted in Darwin being treated as a discontinued operation from 8 November 2018 (the date of signing the sale and purchase agreement). As a result of this treatment, the impact of the Darwin operations for both FY19 and FY18 is reduced to a single line, net of tax, in the Income Statement (refer note 23 of the Group's financial statements).</p> <p>Furthermore, as a result of classifying Darwin as a discontinued operation, no depreciation was booked between 8 November 2018 and 4 April 2019.</p> <p>This adjustment:</p> <ul style="list-style-type: none"> • adds back the results of Darwin's operations in both FY19 and FY18 to revenue, EBITDA and EBIT; • reverses the net loss on disposal (~\$28m); and • calculates a depreciation charge from 8 November 2018 to 4 April 2019 (~\$5m) and reduces normalised results by this amount. 	<p>The disposal of Darwin is a significant and one-off transaction that has impacted the comparability of the FY19 result with prior years.</p> <p>The adjustments detailed are designed to show, in the normalised results, the Darwin operations in FY19 in a manner consistent with prior years.</p> <p>SkyCity considers this provides more useful information for assessing the current year performance against prior years.</p> <p>In FY20, Darwin will be fully excluded from both FY20 and FY19 normalised results to enable appropriate comparisons between these years.</p>
Eliminate benefit from gain on sale of Federal Street car park (\$17.4m), April 2019	<p>The reported results include a significant, one-off gain relating to the Federal Street car park disposal. The adjustment reverses this gain.</p>	<p>The disposal of the Federal Street car park is a significant and one-off transaction that has impacted the comparability of the FY19 results with prior years. SkyCity considers this provides more useful information for assessing the current year performance against prior years.</p>
Reverse impact of revaluation (reduction of \$3.2m) of Auckland properties recently acquired	<p>During FY18 and FY19, SkyCity acquired a number of investment properties in Auckland. In accordance with the appropriate accounting standard, these investment properties will be revalued by an independent expert every year and the carrying value adjusted within the Group's financial statements.</p> <p>This adjustment reverses the FY19 decline in value of these properties.</p>	<p>The revaluation is non-cash and unrelated to the operations of the Group.</p> <p>This adjustment will be made each year to determine the Group's normalised results.</p> <p>SkyCity considers that reversing this valuation adjustment provides more useful information for assessing performance year-on-year.</p>

Adjustment	Explanation	Rationale
Eliminate significant tax events (net \$9.5m decrease normalised NPAT)	<p>During FY19, SkyCity had a number of significant tax events which have impacted the reported effective tax rate.</p> <p>ATO tax review</p> <p>The Australian Tax Office (ATO) undertook a Streamlined Assurance Review of SkyCity's Australian operations. This is part of the ATO's plan to conduct Streamlined Assurance Reviews over the top 1,000 Australian companies.</p> <p>As a result of this review, SkyCity and the ATO agreed to settle differences of opinion on the treatment of certain financing arrangements. As a result of this settlement, SkyCity made a A\$3.5 million payment to the ATO. This payment relates to historical items only and does not change SkyCity's future tax payments or tax expense.</p> <p>Auckland car parks deferred tax</p> <p>During FY19, the Group announced it had agreed to sell a concession over the Auckland main site and New Zealand International Convention Centre car parks. This transaction will be completed on 19 August 2019. However, as at 30 June 2019, the car park assets associated with a part of the transaction have been classified as "assets classified as held for sale".</p> <p>This classification changes the calculation of deferred tax associated with these assets and as a result a \$11.5m reduction in tax expense was booked within the FY19 Income Statement.</p> <p>Share of partnership expenditure – tax election</p> <p>In the current year, SkyCity made a New Zealand tax election for the SkyCity Australian Limited Partnership. This resulted in a one-off benefit in the FY19 tax expense.</p> <p>Summary</p> <p>This adjustment eliminates the net reduction (from the above items) in tax expense for the purpose of the normalised results.</p>	<p>These items do not significantly change SkyCity's future tax expense.</p> <p>For the purposes of the normalised results, these items have been reversed from the FY19 tax expense in order to show SkyCity's underlying effective tax rate (when combined with other tax adjustments outlined in this reconciliation).</p> <p>SkyCity considers that this net adjustment provides more useful information for assessing potential future performance of the Group.</p>

GRI Content Index

General Standard Disclosures

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Organisational profile	102-1	Name of organisation	Annual Report 2019: Company Disclosures	123			
	102-2	Activities, brands, products and services	Annual Report 2019: About SkyCity	25–35			
	102-3	Location of headquarters	Annual Report 2019: Directory	183			
	102-4	Location of operations	Annual Report 2019: About SkyCity	25–35			
	102-5	Ownership and legal form	Annual Report 2019: Notes to the Financial Statements	139			
			Annual Report 2019: Shareholder and Bondholder Information	118–119			
	102-6	Markets served	Annual Report 2019: About SkyCity	25–35			
	102-7	Scale of organisation					
		i. Total number of employees	Annual Report 2019: Our People	12, 70		Yes	
		ii. Total number of operations	Annual Report 2019: About SkyCity	25–35			
iii. Net sales		Annual Report 2019: Income Statement	134				
iv. Total capitalisation		Annual Report 2019: Balance Sheet	136				
v. Quantity of products and services provided		Annual Report 2019: About SkyCity	25–35				
	Additional information		Annual Report 2019				
102-8	Information on employees and other workers	Annual Report 2019: Our People	70–71	Note 1	Yes		

SECTION	ASPECT / GRI DISCLOSURE	DESCRIPTION	PUBLICATION	PAGE(S)	LIMITATIONS	EXTERNAL ASSURANCE
Organisational profile	102-9	Supply chain	Annual Report 2019: Our Suppliers	79–83		Yes
	102-10	Significant changes to the organisation and its supply chain	Annual Report 2019: Delivering Our Group Strategy	19–21		
	102-11	Precautionary principle or approach	SkyCity Ethical Sourcing Code	80		
	102-12	External initiatives	Annual Report 2019: Our Sustainability	49		Yes
Annual Report 2019: Our Environment			85–90		Yes	
Strategy	102-14	Statement from senior decision-maker	Annual Report 2019: Chief Executive Officer's Review and Chairman's Review	14–15		
Ethics and Integrity	102-16	Values, principles, standards and norms of behaviour	SkyCity Code of Conduct	100		www.skycityentertainmentgroup.com
Governance	102-18	Governance structure	Annual Report 2019: Corporate Governance Statement and Other Disclosures	93–104		
Stakeholder engagement	102-40	List of stakeholder groups	SkyCity Code of Conduct	100		www.skycityentertainmentgroup.com
	102-41	Collective bargaining agreements	Annual Report 2019: Our People	71		
	102-42	Identifying and selecting stakeholders	SkyCity Code of Conduct	100		www.skycityentertainmentgroup.com
	102-43	Approach to stakeholder engagement	SkyCity Code of Conduct	100		www.skycityentertainmentgroup.com
	102-44	Key topics and concerns raised	Annual Report 2019: Our Sustainability	49–51		
	Reporting practice	102-45	Entities included in the consolidated financial statements	Annual Report 2019: Notes to the Financial Statements	140, 171	
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102-47		List of material topics	Annual Report 2019: Our Sustainability	51		
102-48		Restatements of information	Annual Report 2019: Our Environment	89–90		
102-49		Changes in reporting	Annual Report 2019: Notes to the Financial Statements	2, 140–142		
102-50		Reporting period	Annual Report 2019	Cover Page		
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	102-53	Contact point for questions regarding the report	Annual Report 2019: Our Sustainability Annual Report 2019: Directory	49 183		
	102-54	Claims of reporting in accordance with the GRI standards	Annual Report 2019	2		

Limitations:

Note 1 – The reporting on GRI 102-8 on employees and other workers does not include ‘activities performed by workers who are not employees’ and ‘significant variations in numbers reported’.

Specific Standard Disclosures

SECTION	ASPECT / GRI DISCLOSURE	DESCRIPTION	PUBLICATION	PAGE(S)	LIMITATIONS	EXTERNAL ASSURANCE
Conserve the Environment	GRI 103	Energy management approach	Annual Report 2019: Our Environment	85–90		
	GRI 302-3	Energy intensity	Annual Report 2019: Our Environment	85–90		
	GRI 103	Emissions management approach	Annual Report 2019: Our Environment	85–90		
	GRI 305-4	GHG emissions intensity	Annual Report 2019: Our Environment	85–90		
Source Ethically and Responsibly	GRI 103	Ethical and sustainable procurement management approach	Annual Report 2019: Our Suppliers	79–83		
Inspire Our People	GRI 103	Health and safety management approach	Annual Report 2019: Our Risk Profile and Management Annual Report 2019: Health and Safety	39 62–63		
	GRI 403-2	Types and rates of injury	Annual Report 2019: Our Risk Profile and Management	39		
	GRI 103	Employee engagement management approach	Annual Report 2019: Our People	59–69		
	GRI 404-2	Employee programmes	Annual Report 2019: Our People	59–69		
	GRI 103	Diversity, inclusion and belonging management approach	Annual Report 2019: Our People	65–69		

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			SkyCity Diversity and Inclusion Policy	www.skycityentertainmentgroup.com		
Host Responsibly	GRI 103	Customer health and safety management approach	Annual Report 2019: Our Customers	53–57		
	GRI 416-1	Assessment of health and safety of products and services	Annual Report 2019: Our Customers	53–57		
	GRI 416-2	Non-compliance incidents related to health and safety of products and services	Annual Report 2019: Our Customers	53–57		
	GRI 103	Socio-economic compliance management approach	Annual Report 2019: Our Customers	53–57		
	GRI 419-1	Non-compliance with socio-economic laws and regulations	Annual Report 2019: Our Customers	53–57	Note 1	

Limitations:

Note 1 – The reporting of GRI 419-1 on Non-compliance with Socio-Economic Laws and Regulations does not include economic laws and regulations.

Glossary

Casino Win	the amount lost or spent by players, calculated as turnover minus amounts awarded to players
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
GAAP	generally accepted accounting principles
Hold or Win Rate	casino win expressed as a percentage of turnover
Normalised EBITDA	earnings before interest, tax, depreciation and amortisation adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised NPAT	net profit after tax adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised Revenue	revenue adjusted to take into account a theoretical win rate of 1.35% on International Business play and other adjustments and calculated in accordance with SkyCity's Non-GAAP Financial Information Policy
Normalised Win Rate	the expected long term average hold
NPAT	net profit after tax
Reported EBITDA	earnings before interest, tax, depreciation and amortisation calculated in accordance with GAAP in New Zealand
Reported NPAT	net profit after tax calculated in accordance with GAAP in New Zealand
Reported Revenue	revenue calculated in accordance with GAAP in New Zealand
RevPar	revenue per available room
Turnover	total amount wagered by players

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